

Social Research

AN INTERNATIONAL QUARTERLY
OF POLITICAL AND SOCIAL SCIENCE

VOLUME THIRTEEN · JUNE 1946 · NUMBER TWO

The Economic Problem of Germany	
<i>Alvin Johnson and Ernest Hamburger</i>	135
Big Three Solidarity	<i>Thomas K. Finletter</i> 183
Democracy—Challenge to Theory	<i>Arnold Brecht</i> 195
Keynes as an Economist	<i>Hans Neisser</i> 225
Julius Ebbinghaus, on the Occasion of the Reopening of the University of Marburg	
Translated by <i>H. M. Kallen</i>	236
Book Reviews	240

Copyright, 1946, and published quarterly at 374 Broadway, Albany, N. Y., for the New School for Social Research, 66 West Twelfth Street, New York 11, N. Y. All rights reserved. Contributions to SOCIAL RESEARCH may not be reprinted without the permission of the editors. Subscriptions, \$3.00 a year, 75 cents a single copy; Canadian and foreign subscriptions, \$3.50 a year. Entered as second-class matter June 13, 1944, at the post office at Albany, N. Y., under the Act of March 3, 1879.

Indexes of SOCIAL RESEARCH are published annually in the December issue; the contents are also indexed in the INTERNATIONAL INDEX TO PERIODICALS, available in most libraries.

EDITORIAL BOARD

BRYN J. HOVDE

CARL MAYER

ERICH HULA

HANS NEISSER

ALVIN JOHNSON

KURT RIEZLER

ADOLPH LOWE

LEO STRAUSS

SOCIAL RESEARCH

is published in March, June, September and December, by the Graduate Faculty of Political and Social Science of the New School for Social Research, in cooperation with the Institute of World Affairs

EDITORIAL AND GENERAL OFFICE

66 West Twelfth Street, New York 11, N. Y.

Dr. Alvin Johnson, Chairman, Editorial Board

Dr. Leo Strauss, Associate Editor

Elizabeth Todd, Managing Editor

Lillian G. Lebeaux, Editorial Secretary

All correspondence concerning manuscripts should
be addressed to Dr. Leo Strauss

SUBSCRIPTION PRICE

\$3.00 a year, 75 cents a single copy

Canadian and foreign, \$3.50 a year

THE ECONOMIC PROBLEM OF GERMANY

BY ALVIN JOHNSON AND
ERNEST HAMBURGER *

IT is a fixed point in United Nations policy that Germany shall not again be in a position to launch a ruthless attack against her neighbors. Therefore her war potential is to be destroyed, or more accurately, reduced to such terms that not even the wildest of the unreconstructed Nazis—of which there are millions—can dream of a renewal of the process of German aggression.

But Germany herself is not to be destroyed, nor is she to be actually dismembered, though certain territories to the east, and possibly to the west, will be transferred to the victorious nations. Nor are the Germans to be ground down into hopeless poverty. Their economy will be permitted to recover sufficiently to feed, clothe and house the people of Germany at a level high enough to insure health and working efficiency, but not high enough to surpass the average of other countries of western and central Europe.

Through the surrender of existing goods and equipment, and of credits abroad, Germany is to make reparations, so far as prac-

* NOTE BY ALVIN JOHNSON—This study, prepared for the Institute of World Affairs, is mainly the work of Dr. Ernest Hamburger, who has assembled the data and has drawn them together into meaningful form. My share in the work has been mainly that of a faithful critic, who has weighed every statement and made sure of its substantial validity.

All our calculations are premised on the Potsdam plan, as modified by later directives and decisions. We have not attempted to analyze the set-up that would have been made if the Morgenthau plan had been adopted. The actual annexation by Russia and Poland of one-fourth of the area, with much more than a fourth of the arable land, and the expulsion to Germany of millions of persons, destroy the whole basis of Mr. Morgenthau's calculations.

We have conceived our function to be that of mere analysts of conditions under Allied policy. We have not undertaken to criticize that policy, by way of either approval or disapproval.

ticable, for the damage inflicted on the members of the United Nations. Pecuniary reparation payments running through a long period of time are not, however, contemplated. The provision of German manpower for the reconstruction of damaged regions is already established, through the utilization of prisoners of war; no considerable extension of the principle appears to be contemplated.

These are the general principles of Allied policy, as laid down in the Potsdam agreement, supplemented by various interallied decisions and, for the American zone, by the directive to the American zone commander.

As in all matters of real life, the application of the Potsdam principles involves something of compromise. Elimination of the German war potential means, of course, the destruction of the armament industry. German agriculture and such peaceful employments as textile and woodworking industries will be permitted to survive and develop, up to the point where excessive exports might build up Germany's power of foreign intrigue. Other industries, like coal mining, iron and steel, machine manufacture, the electrical and chemical industries, cannot be wholly divested of the character of war potential, but if they were eliminated altogether, the German population could not maintain even the minimum standard contemplated by the Allies. The problem of Allied policy is thus to determine as nearly as may be the limits beyond which a war potential becomes dangerous. But Allied policy recognizes another problem, that of a people become so desperate under hopeless poverty that civil order is impossible.

Any analysis of the German problem must clearly set forth its assumptions regarding the volume of population that will be crowded into Germany west of the Oder-Neisse demarcation line—a line which, it is true, has not yet been definitely established in a peace settlement, but which, in view of the total international situation, may be treated as fixed. In 1939 the German popula-

tion west of this line amounted to 60 million, in round numbers. To this figure must be added the millions that will be thrust into Germany by expulsions from East Prussia and Danzig, from the other territories east of the Oder-Neisse line, from Czechoslovakia, Poland and Hungary. Not all Germans will be expelled from these areas, but the figure cannot be safely put at less than 11 million. War casualties suffered by the military and civilian population amount to between 3.5 and 4 million, according to the best estimates we have. In the early years of the war, births exceeded deaths, but in the later years the reverse seems to have been true, and probably the two tendencies about balanced; in 1945 and 1946 the birth rate has been very low and the natural death rate high, and it seems safe to place the net loss during these two years at 2.5 million. Thus our estimate is a total population of about 65 million (including former war prisoners) resident within the territories that remain to Germany.¹

Our study is more concerned with the situation five years and ten years hence than with the situation today, and in that period this figure is likely to decline. True, there is abundant evidence that birth rates tend to be high where historically the standard of living is low, but we are dealing here with an unprecedented situation, a great population thrust from a high standard to a low, from a high state of general health to a low state, accompanied by widespread discontent and despair. It seems likely, therefore, that in five years the figure of 65 million will shrink, but to what extent we are unwilling to guess.

These 65 million Germans must live on 137,000 square miles, which means a population density of 474 per square mile. This compares with 449 for Great Britain, which has been, after Belgium and the Netherlands, the most densely populated area in Europe.

¹ The Allied Control Council at Berlin bases its economic provisions of March 1946 on an estimate of 66.5 million in 1949. No population census is planned before next fall, and since the number of returning prisoners and of Germans to be expelled from other countries is uncertain, no absolute accuracy of figures can be reached at this moment.

I

Is it possible for the limited soil of Germany to feed a population of 65 million? At Potsdam and in the later discussions in the Allied Control Council all agreed that agricultural production would have to be maximized. Within the next few years, however, an adequate development of German food supplies cannot be foreseen. On the contrary, a decline is likely. Parts of the soil have been devastated by military action, and in several regions the livestock has been depleted, the machinery removed. Everywhere the breakdown of transportation and the slowness of its restoration will lead to a shortage of seed and fertilizer, and the disruption of international commerce with Germany will result in a lack of such important fodder as oil seed and oil cake.

Over a somewhat longer period, however, a more encouraging outlook is suggested by Germany's agricultural development between World Wars I and II.² Between 1924-25 and 1934-35 her total agricultural production increased by 30 percent. The value of German imports of foodstuffs, which amounted to about 20 percent of total consumption before World War I, declined to less than 8 percent by 1934-35 or, if the imports of fodder are taken into account, to about 10 percent. The deficit in grain, which was almost 7 million tons in 1926-27, was reduced to less than 0.9 million tons in 1932-33, the breadstuffs that had to be imported constituting only about 2 percent of the total consumption. In potatoes and milk Germany had always been self-sufficient. Sugar-beet and fodder-beet crops increased by 50 and 18 percent respectively. The need for meat imports almost totally disappeared.

Less important were the declines in the demand for foreign

² The following statements on German agriculture before 1939 are based largely on Karl Brandt's articles in *Social Research*: "Farm Relief in Germany" (May 1934) pp. 185-98; "The Employment Capacity of Agriculture" (February 1935) pp. 1-19; "Recent Agrarian Policies in Germany, Great Britain and the United States" (May 1936) pp. 167-201 (on Germany, pp. 167-76). See also F. Gruenig, "Die Nahrungsmittel-Bilanz der deutschen Wirtschaftsgebiete," in *Vierteljahrshefte zur Konjunkturforschung* (Hamburg 1936) Heft I, Teil B.

butter, eggs, fruit and vegetables. About 40 percent of the lard, 21 percent of the butter and almost all of the margarine raw materials had to be imported, and Germany remained dependent upon foreign markets for these products. In addition, tropical products that could not be raised in Germany had to be imported, as before, and imports of oil seed, oil cake and soya beans even increased, since these extremely cheap feeds could supplant feed grains to some extent.

The interwar rise in German home production, to a degree that it could increasingly satisfy consumers' demands, was due to technological progress: to mechanization, organization and, above all, a more intensive use of fertilizers. While it was being achieved, agricultural labor declined from 9.7 million in 1925 to 9.3 million in 1933 and 8.9 million in 1939. Further progress in production methods may lead, in the future, to a further improvement in results.

On the other hand, the prospects that Germany after World War II will be able to feed herself from her own soil to the extent that she did after World War I are diminished by the cession of the territory east of the Oder-Neisse line.³ She will have to raise food for a population that will be only 6 percent smaller than that of 1939, while she has lost 37 percent of her former production of rye, 31 percent of that of potatoes, 29 percent of sugar beets, 25 percent of barley, 24 percent of oats and 20 percent of wheat. If the nutrition value of potatoes in relation to cereals is accepted as 1 to 4, the crops for human food would have to be increased by 25 percent in order to make possible the former per capita consumption, and to a smaller degree for the reduced postwar consumption in Germany. Since eastern Germany was characterized by the large estates that produced rye, potatoes and beets, the figures for meat and dairy products are less spectacular. Nevertheless, the production of cattle would have to be increased by 13 percent, and that of hogs by 20 percent,

³ The figures in this paragraph have been computed from *Wirtschaft und Statistik*, 1939, no. 2, p. 49; 1940, no. 19, pp. 437-38; 1941, no. 1, p. 7.

in order to achieve the same per capita consumption of dairy and meat products from domestic sources as before. Some increase will be necessary even to meet the needs of a sharply reduced German diet.

In her old frontiers Germany had 1.7 acres of land per capita, of which almost 1 acre was used agriculturally. West of the Oder-Neisse line she now has 1.37 acres of land per capita, of which less than 0.8 acre is used agriculturally. It is not impossible for a population to feed itself on less than 0.8 acre of agriculturally used land per capita. Puerto Rico and Java do so. But they feed themselves badly. German arable land is not so fertile as that of Puerto Rico and Java, and, in addition, the German climate does not permit of more than one crop a year.

The question is whether the German skill in farming is sufficiently superior to make up for the deficiencies in soil and climate. In the past Germany's per acre performance was far ahead of that of most other European countries. It is generally acknowledged that in grain production the yield per acre was as high in Germany as in almost any other country of Europe.⁴ In a few small countries which exceeded the German yield (by about 10 percent), peculiar situations existed: in the Netherlands, for example, only 40 percent of the area was used agriculturally, in contrast to about 60 percent in Germany, which implies a concentration on more fertile land; and in Denmark three-quarters of the grain production was devoted to fodder grain (barley and oats), as compared with 40 percent in Germany.

Thus the experience of other countries cannot be adduced as justification for our present assumption that in the long run, say within ten years, German agricultural production can be increased to an extent that will allow a minimum diet from domestic sources. This assumption is based rather on the fact that Germany has not yet exhausted all the means of intensifying agricul-

⁴ See the instructive article by Arnold Daniel, "Regional Differences of Productivity in European Agriculture," in *Review of Economic Studies*, vol. 12(1), no. 31 (1944-45) pp. 50-70.

ture: a more liberal application of commercial fertilizers is still possible, and also an extension of power equipment, which would free land that would have to be assigned to feed if reliance were on animal traction. Even at best, however, it will still be necessary for Germany to import a certain amount of edible fats and fodder.

As a means of further reducing the need for food imports, the extension of the agriculturally-used land and a land reform may be considered.

Some millions of acres of forest lands might be reclaimed for agriculture. Forests and woodland cover 27 percent of the total area of Germany; a decrease by one-third would still leave more than one-sixth of the German territory for forestry. It would not be justifiable to cut deeper into the forest area: not only would this decrease the production of wood and timber but, in addition, forests prevent too rapid precipitations and inundations in mountainous regions and contribute to public health in the neighborhood of towns and cities. It would take years, however, to domesticate such lands completely, and in the meantime their production would be a negligible item in the whole economy. Even later the results would not be impressive, because many forests are on poor soil, save in a few regions such as Mecklenburg, where wheat crops could be raised on soil where forests stand now.

Nor does a break-up of the large estates, however salutary politically and socially, promise any immediate increase in food production. On the contrary, it would lead at first to a decline.

The large estates of the Junkers were mainly in Germany's eastern provinces. Estates and large farms of more than 250 acres constituted 54 percent of Mecklenburg, 45 percent of the total agriculturally-used area of Pomerania, and between 30 and 35 percent of East Prussia, Silesia and Brandenburg, but less than 7 percent of Westphalia, less than 6 percent of Hanover and the Rhineland, about 4 percent of Bavaria and 3 percent of Württemberg. Most Junker estates west of the Oder-Neisse line are

in the Soviet zone, and according to report have been broken up into small plots; the allotments average 15 acres, and most of the settlers are either agricultural workers formerly employed on the same land or Germans expelled from the east, the two groups totaling between 200,000 and 300,000 persons. In addition some undersize farms have been rounded out. No similar action has been taken as yet in the other zones of occupation, where, as has been mentioned, the proportion of the land subject to redistribution is much smaller.

The allotments in the Soviet zone are not at subsistence level. The minimum profitable holding for a peasant in eastern Germany has been about 35 to 40 acres, in western Germany not below 25 acres, and certainly nowhere in western agriculture as low as 15 acres. This type of land reform compels the farmer to rely on governmental aid and organization for the purchase of commercial fertilizers on a sufficient scale, and for the use of tractors and other power equipment; cooperative arrangements alone would not be sufficient. The Soviet redistribution of land reduces, especially in grain and potatoes, the large agricultural surplus that was formerly available from the eastern provinces for the other parts of Germany, and its maintenance would perpetuate, on a larger scale than has been assumed, the necessity of feeding the other zones from outside Germany.

No such implications would grow out of a land reform that extended over all zones and made it a rule that the new farms should not be below the subsistence level. After the probable decline in the years of transition, definite economic advantages would result from the transformation of large farms and big estates into farm holdings that were small, but not too small.

In grain products the smaller unit could probably hold its own in comparison with large estates, and through cooperative arrangements the supply could be transported to distant town and city markets. In producing dairy and meat the smaller unit is certainly more than equal in efficiency to the larger one, for it makes possible far-reaching intensification and increase in output. Also,

it absorbs more manpower, which would alleviate the solution of the population problem in a society in which the industrial basis and industrial output are to be curtailed. This branch of production meets a limit, however, in the fact that the urban population of a poor country like Germany could not pay for an increased meat and dairy output, which in terms of calories for human nutrition is extremely wasteful. In other words, if home production of butter, meat and eggs were encouraged, imports of these goods could be reduced, but home consumption would still be limited by the lack of purchasing power. In order to find an outlet Germany would have to rely, like Denmark, on an export market abroad; but an export market for these products is not available, less now than at any time in the past, because of the structural changes in European economy.

There remains the possibility of conversion to an intensified output of potatoes, beets, turnips, carrots, cabbage and similar products. Their output could be greatly increased by labor-intensive processes, and could be paid for by the large masses of the population even in an impoverished country. This will probably become the main new trend if a radical land reform and resettlement of new workers on the land are actually achieved.

In brief, the problem of feeding Germany largely from her domestic sources appears soluble if certain conditions are fulfilled. And the effectiveness even of these conditions rests on certain assumptions: that Germany will be supplied with tractors and will not have to depend on animal traction, which devours one-fifth of the products of the soil; that gasoline and Diesel oil will be available at prices that are not prohibitive; that a way will be found to supply the essential nitrates and phosphates (potash the Germans have in abundance).

Certain recent decisions show that the Allied Control Council is resolved to draw the legal and economic conclusions from its objective of maximizing agricultural output. In order to serve the intensification of agriculture the annual production capacity for 10,000 light tractors will be maintained, likewise the produc-

tion capacity for other agricultural machinery, which is estimated at 80 percent of its 1938 level. In order to supply the essential nitrates, the production capacity for synthetic ammonia will be maintained until imports of nitrates can be paid for; prohibition of the production of ammonia has been postponed until that date.

The possibilities of absorbing manpower by an intensification of the agricultural economy are restricted. West of the Oder-Neisse line the number of farms was formerly 2.6 million, accounting for 7.2 million persons gainfully occupied, but the number of self-sustaining farms can have been no more than about 1.8 million. An increase in the number of self-sustaining farms to around 3 million appears the extreme that could be reached by a sound land reform, and a corresponding increase in the number of gainfully occupied to 9.5 million is likely to be the utmost that labor-intensive processes could achieve under the conditions that will prevail in Germany. And even this would be little more than a restoration, on the reduced territory, of the ratio that obtained between the agricultural and the total population within the old German frontiers. The most competent agricultural set-up in the world, that of Denmark, cannot use in agriculture even one-third of the working population of the country. Germany cannot be expected to employ a greater proportion than the 9.5 million, or 30 percent of the 32 million that would normally be gainfully occupied among a German population of 65 million.

About 2 million persons were gainfully occupied on German farms east of the Oder-Neisse line. Most of them have been or will be expelled to Germany. Their rehabilitation, along with that of the German agricultural population from Czechoslovakia, Poland and Hungary, would exhaust the employment possibilities offered under the most optimistic hypotheses by an intensification of German agriculture. No room would be left for a resettlement of that part of the industrial population which has lost the basis of its existence. This closes one of the possible avenues for their rehabilitation, but the elimination of this possibility is not wholly

deplorable, for the resettlement of an industrial population that has been away from the land for more than one generation (in Germany it has been removed for several generations) has never proved a success.

II

In 1928 and 1929, before German life was corrupted by Hitler's militaristic ambitions, German industry produced goods valued at 34 billion marks, while German agriculture produced 12 billion. In round figures two persons (including dependents) were employed in industry to one in agriculture and one in trade and transportation, the service employments and the like. The ratio would incline still more toward industry if we considered only the present German territories, excluding the agricultural east, now lost to Poland and Russia.

German industry is located for the most part within two industrial belts, a western and a central, which at one point, Bielefeld in Westphalia, come close to meeting. The western belt stretches along both sides of the Rhine from north to south, and includes the Ruhr district, which contains most of Germany's coal mines and constitutes the heart of the metallurgical industry, with which many other industries like chemicals and textiles are integrated. West of the Rhine this belt extends south to the Saar district, Germany's third largest coal and second largest metallurgical center. East of the Rhine it includes the prevailingly small and medium-size plants of the south German states Württemberg and Baden, in which a great variety of consumer goods are produced.

The central belt extends from the northwest to the southeast, starting in the Weser mountains, in the province of Hanover, and ending in the Sudeten mountains in Lower Silesia. It includes the lignite mines and textile industries of central Germany, Saxony and Lower Silesia (in the two last regions also some coal mines), and the electrical and newly developed chemical industries, airplane and car production in the Prussian provinces of

Hanover and Saxony and in the states of Brunswick and Anhalt. Many of the light industries and much of the production of consumer goods in these industrial centers have been integrated with neighboring Thuringia and northern Bavaria, because of favorable transport and market conditions in these densely populated areas.

In addition, the machine industry and many consumer industries have expanded over the whole country. There are, or were, many important industrial islands, such as the harbor cities and Berlin, a center of the electrical and the clothing industry. The Upper Silesian coal and metallurgical center was also a most important industrial region, ranking second in German coal production even after it was cut in two, into a German and a Polish part, as a result of the Upper Silesian plebiscite of 1921.

The first question is how and to what extent this industrial set-up is affected by the new Oder-Neisse borderline, by the damage and disorganization resulting from warfare, and by those removals of equipment that have already occurred.

The new boundaries that are planned will remove from the old area of Germany the province of East Prussia, most of Silesia and Pomerania and the eastern part of Brandenburg. As we have seen, it is in western and central Germany, however, that the main industrial regions are situated. With the exception of Silesia the east has been prevailingly agricultural. In 1939, when about 41 percent of all occupied persons within the old frontiers of the Reich (including dependents) lived by industry and crafts, the corresponding percentage for Silesia was less than 38, for Pomerania less than 26, and for East Prussia about 24.⁵

Not the whole of Pomerania is east of the new frontier, and in Silesia about 125,000 lived by industry and crafts in districts to be left to Germany. This may be regarded as offsetting the not very large number of persons in industry and crafts in eastern Brandenburg, which is to be ceded. It seems justifiable to estimate that the industrial population in the territory to be yielded, which

⁵ *Wirtschaft und Statistik*, 1940, no. 16, pp. 333-35, 351-52.

represents about 25 percent of the old German area, numbers about 3 million, or roughly one-tenth of the total number in the prewar area who lived by industry and crafts.

Coal production in the two Silesian coal districts was formerly about 17 percent of the German total, while 68 percent was mined in the Ruhr district, 8 percent in the Saar district, and the other 7 percent around Aachen and in Saxony and Hanover. The areas of brown coal or lignite production are the Rhineland, central Germany and the westernmost tip of Silesia, which remains German. In coal and lignite production together (figuring four units of lignite as equivalent to one unit of coal) the ceded territory accounted for no more than 13 percent of the total.

To the total pig-iron and crude-steel production, Silesia and all eastern, northern and central Germany contributed 10 percent, of which a part came from territory remaining German. About 70 percent was normally produced in the Rhineland and Westphalia; more than 18 percent of the pig iron and 14 to 15 percent of the steel came from the Saar district; and the remainder was spread over other parts of western and southern Germany. Iron ore, the production of which was actively stimulated under the Nazi regime and nevertheless covered only a portion of the German needs, was produced in the west and to a smaller extent in the south.

Of the electric power capacity—nearly 9 million kilowatts in government works and over 6 million in privately owned works—only 8 to 9 percent was produced in the eastern territories to be ceded.

The main centers of the textile industries were in the state of Saxony and in the Rhineland. Less than 5 percent of all persons occupied in the textile industries were employed in Silesia, which maintained a strong position in the linen industry and a certain importance in the woolen industry. The textile centers in Brandenburg remain German.

The value of leather goods production was formerly 489 million marks, of which not quite 8 million were produced in Silesia,

and 7 million in Brandenburg, mostly in parts remaining German. Leather production in East Prussia and Pomerania was insignificant.

On the whole, few if any branches of industry east of the Oder-Neisse line accounted for as high a proportion of total German industrial production as the 14 percent which was that area's share of the total population. The east did not produce an industrial surplus; rather, it needed industrial imports from other parts of Germany. Probably it would be excessive to estimate that the proportion of industrial production in the territory to be ceded was as high as 11 or 12 percent of the total. Therefore if the population west of the Oder-Neisse line increases by 8 percent—from 60 million in 1939 to 65 million, as assumed above—it would not be a technically difficult problem, under normal conditions, to supply it with industrial goods from domestic sources.

The problem assumes a graver character, however, when we turn to a consideration of the present actual capacity of Germany's industrial machine. Losses from destruction and damage, a consequence of the heavy bombing and the fierce battles fought on German soil, have been estimated to average about 25 percent.⁶ And not these losses alone, but also a general disorganization and confusion constitute a serious interference with the production process.

In the summer of 1945 production was virtually at a standstill. Since then a slow recovery has become noticeable. It is definite in the British zone, evident there since late in 1945; it is evident also in the Soviet and parts of the French zone, and even in the American zone, although there the basic rule of the zone commander—that rehabilitation is a matter for the Germans and of no concern for the occupation authorities—is unfavorable to a restoration of production and is being abandoned only slowly. Thus in the Ruhr coal mines, in the British zone, production apparently reached in December 1945 about 40 percent, and in

⁶ New York *Times*, October 11 and December 30, 1945; London *Economist*, September 15, 1945, pp. 376-77.

the following March 46 percent, of its 1938 norm. In the American zone, out of 14,130 industrial plants, 2,264 were in operation in October 1945, and 5,500 in March 1946; but they were producing only about 5 percent of their capacity in October, and according to the reports of the American Military Government the rates attained since then have remained unsatisfactory. A high German official, with rather remarkable exactness, put the production in the Soviet zone of occupation during the last quarter of 1945 at 29 percent of the 1938 quarterly level;⁷ early in 1946 industrial production there was vigorously accelerated.

But production will remain far below the level of capacity so long as fundamental impediments to it continue to exist. Among these impediments are zonal separation, disruption of transport, shortage of raw materials, and a diet which, until the reduction in calories in the spring, may have prevented starvation but was in many cases—and is now in more cases—insufficient to sustain a person at work. Unless Germany is treated as a single economic unit, as provided at Potsdam, and serious efforts are made quickly to maximize the production of all vital consumer goods, many indispensable articles will be exhausted and not only food but other necessities as well will continue to have to be imported.

The resumption of sufficient production is hampered also by the mass removals of industrial capital equipment which were reported in 1945, mainly from the Soviet-occupied zone, but in some instances also from other zones. It is difficult to obtain a clear picture of the extent of these removals. It seems, however, that much of the industrial equipment in Soviet-administered eastern Germany, including Berlin, has been removed. In central Germany the removals appear to have been less drastic; consumer-goods industries, brown-coal extraction and even the chemical industries are continuing there, although on a reduced scale. This deindustrialization did not follow the specific policy of removals laid down in the Potsdam agreement, a policy that was designed to bring Germany's industrial capacity into line with

⁷ New York *Herald Tribune*, December 30, 1945.

approved postwar needs. It hit war industry and peaceful domestic industries alike, and was effected without regard for any needs of future production in Germany. In that respect it was contrary to the sense of the Potsdam declaration, though formally it was in line with that agreement, which gives the Soviet authorities unrestricted power to exact reparations by removals of equipment from their zone.

When allowance is made for plants destroyed and damaged, for the removals that have already occurred, and for losses in ceded territory, German industrial capacity has probably been reduced by 40 to 45 percent. If there were to be no further removals of equipment or destruction of factories, some 55 to 60 percent of Germany's industrial capacity would therefore remain, to supply authorized domestic and necessary export needs, and this part of the Potsdam objectives could be attained rather soon. But conditions will be changed by the further removals that must be decided upon under the Potsdam plan.

III

Under Allied policy three types of industrial production and goods have been classified. These are as follows.

First, peaceful industrial production and goods, such as wood and woodworking, textiles, clothing, leather and shoes, toys, construction of dwellings and the like. These are to receive maximum emphasis. In addition, the Potsdam plan stresses coal extraction, and the Allied Control Council, implementing this policy and taking up an American suggestion, has added potash production.

Second, specific war industries producing finished arms, ammunition, implements of war, aircraft and seagoing ships. These are strictly prohibited. The Control Council has added several other items, like ball bearings, heavy machine tools and heavy tractors, primary aluminum, synthetic gasoline, oil and rubber; but it has authorized the temporary production, for domestic consumption, of certain important goods such as ball bearings, syn-

thetic oil and rubber and a few others, until the necessary imports are available and can be paid for.

Third, industries which, although they constitute a war potential, are basic to peace production as well. Among these are the metallurgical, machinery and chemical industries. In its statement of December 11, 1945, to the other signatories of the Potsdam Declaration, the State Department proposed to define the machine industry as covering also the machine-tool, automotive, radio and electrical industries. As for the chemical industry, the State Department, in stressing "particularly that part of the industry which is devoted or can be readily converted to war production," expressly excludes from this category the potash and salt industries. Still other parts of the chemical industries may count among those devoted to peaceful domestic work.

This third group of industries lies in the center of discussion. The complete elimination of all plants, craftsmen and production workers in these industries, which are the backbone of the whole modern industrial system, would prevent the functioning also of "peaceful domestic industries." Without a sufficient number of machine and metal workers, the industrial system of no country could be kept going. In Denmark, the model of a peaceful country with hardly any armed forces, 51,700 out of a total of 167,300 industrial workers were gainfully occupied in 1938 in the iron, steel, metal, machinery and electrical industries.⁸

The Potsdam Declaration provided that "production of metal, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved postwar needs." The State Department's December statement interpreted the objective of this provision as a "drastic reduction" of these critical industries. Future Allied policy will certainly wipe out what the Nazi rearmament policy added to Germany's industrial capacity in these fields, and also cut into the productivity attained before. Accordingly, the problem has shifted to the extent of the reduction, including

⁸ *Wirtschaft und Statistik*, 1940, no. 9, p. 132.

the question whether and how far these industries will be allowed to produce also for export, in order to obtain payments for imports to Germany. In this respect the December statement of the State Department interprets the Potsdam Declaration as requiring that "the maximum possible provision be made for exports from sources other than the metal, machinery and chemical industries," and speaks, not of the elimination, but of the "restriction of exports in the fields of metals, machinery and chemicals." This was a cautious and implicit stand in favor of the maintenance of a limited amount of exports in these fields. The Control Council, however, has not yet reached an agreement about one of the most important groups in this category, iron and steel goods, although it has decided to permit exports of electrical equipment.

An indication of the critical industries' share in Germany's total industrial production is provided by the accompanying figures, showing, in millions of marks, the net value of annual industrial output as estimated from data pertaining to the years 1927-28.⁹ In those years the production of arms and ammunition was still

Critical Industries: Total, 8,900 million marks

Iron, steel, metal, and their products	3,500	Electrical	1,300
Machinery and vehicles	2,800	Chemical	1,300

Peaceful Domestic Industries: Total, 23,475 million marks

Quarries, clay, glass, porcelain	1,600	Leather	600
Optical and precision instruments	300	Rubber	225
Musical instruments, etc.	250	Wood	1,600
Construction	3,900	Paper	2,000
Textile	2,600	Food	5,000
Clothing	2,000	Mining	3,400

⁹ *Konjunkturstatistisches Handbuch*, 1936, ed. by Ernst Wagemann (Berlin 1935) p. 46. The figure for optical and precision instruments can be only roughly estimated; in the electrical industries, in which they are included, net value was 50 percent of gross value, and therefore it is assumed that since optical and precision instruments had a gross value of about 600 million marks their net value was 300 million.

at the low authorized by the Treaty of Versailles. As for the other implements of war prohibited by the Potsdam Declaration, the production of ships amounted at that time to a net value of about 300 million marks, and that of aircraft to about 15 million marks.¹⁰

The 8,900 million marks net value of the critical industries' production amounted to 27.5 percent of the total, the production of authorized industries constituting 72.5 percent. It is noteworthy that the two industries with the highest net production value, food and construction, are among the uncontested industries; that the value of mining was nearly as great as that of iron, steel, metal, and their products; that the value of textile production was not far behind that of the machinery and vehicle industries; that the value of production in the wood and wood-working industry was higher than that in the electrical industry; and that in both paper and clothing the value of production was more than 50 percent higher than that of the chemical industry. These comparisons show how strongly the emphasis was on consumer-goods industries in the pre-Hitler period. Employment figures on the two types of industry reveal, even more strongly than the figures on net production value, the preponderance of the peaceful domestic industries: to the latter belonged 75.4 percent of all workers, to the critical industries only 24.6 percent.

It would be a grave error to assume, however, that elimination of the critical industries, or a drastic cut in them, would have no effect on the authorized industries. Mining, for example, includes iron-ore and oil production, and would therefore be, although to a small extent, among the critical industries. About one-third of construction was for industrial purposes, and so far as this work was done for critical industries, it would decline along with them. The rubber industry would be hurt by a cut in the automotive industry. The sales of furniture, paper and other goods for offices

¹⁰ Gross value 660 million and 33 million respectively (*ibid.*, p. 48); the net value estimates have been made on the basis of the relation between gross and net values in the machinery and vehicle industry and shipbuilding, combined.

would be diminished by a reduction of the number of plants in critical industries. Food processing would suffer from a shift of millions from industrial to agricultural work. The effect of all this on commerce, communication and transportation, and on the industries working for these branches of the economy, is easy to envisage.

On the other hand, several industries included in the critical group are doubtless of a peaceful domestic character and are therefore likely to be exempted from restrictions. This is particularly true of iron, steel and metal products, an industrial branch whose production had in 1927 a gross value of 3,750 million marks, and a net value of probably about 1,300 million marks, consisting largely of agricultural and domestic implements and tools, saws and chains, and other small metal wares that cannot be considered war-potential goods. This branch of industry normally employed 960,000 persons, and more than 600,000 worked in it during the depression year 1933. In contrast to heavy industry, the majority of its employees (over 54 percent) worked in small plants that employed 10 workers or fewer, and less than 15 percent worked in plants employing over 200.¹¹ This distribution of manpower was mainly due to the existence of tens of thousands of blacksmiths, locksmiths and tinsmiths, independent craftsmen who worked either alone or with one or a few employees, and who will have to continue unless the national economy is to be completely disorganized, down to the rural communities. A breakdown of this industry reveals only one field to be radically eliminated, that of hand firearms, in which only a few thousands were employed before 1933.

The machinery and vehicle industry is to be reduced to future peacetime needs. An agreement of the Control Council reached late in March 1946 determines the extent to which it will be allowed to produce: from 11.4 percent of the capacity of 1938 in machine tools to 80 percent in agricultural machinery. During the next four years no new locomotives will be built, and the

¹¹ *Wirtschaft und Statistik*, 1935, no. 7, p. 237.

plant facilities that remain will be used only for repair work. The production of 40,000 trucks, a like number of cars, and 4,000 light road tractors will be authorized annually.

In the electrical industries, telephone and telegraph appliances, domestic electrical implements, electric lamps and similar products can properly be authorized. The Control Council has agreed on the maintenance of 50 percent of the 1938 overall capacity, and on 30 percent in the production of heavy electrical equipment. Two concordant proposals, one by Moulton and Marlio and one by the Foreign Economic Administration,¹² favor the restriction of electrical power stations, either hydroelectric or steam, as the most effective measure for reducing the German war potential in the electrical field. Germany would be compelled, then, to meet her demands in considerable part by supplies from foreign countries, and the distribution of power to the large industrial and transportation consumers could easily be controlled. The Foreign Economic Administration suggests a 9 million kilowatt capacity for peacetime use—a suggestion followed by the Control Council—and estimates at 43,900 the number of workers displaced by such a restriction (figures based on 1936). This would be less than one-tenth of all workers who were formerly employed by the electrical industry.

The problems connected with the chemical industry are more complex. An examination of its various branches, as detailed in the census of 1933, before the start of the rearmament period, shows how many of its products were used for peaceful consumption: pharmaceutical products, disinfectants, cosmetics, artificial fertilizers and allied products, soap, paint and varnish, and many others. Since most of these products are indispensable in a present-day economy, all authorities except Henry Morgenthau rule out, as does also the Potsdam Declaration, any complete elimination of the German chemical industry.

¹² Harold G. Moulton and Louis Marlio, *The Control of Germany and Japan* (Washington 1944) pp. 47-48. Foreign Economic Administration, Enemy Branch, *A Program for German Economic and Industrial Disarmament*, Final Report, Mimeographed (December 20, 1945) Part I, pp. 92-94, Summary, p. 49e.

On the other hand, many materials used for peaceful production easily lend themselves to the production of highly destructive weapons of chemical warfare. In proposing measures that would counter this danger, Moulton and Marlio, in accordance with their principle of eliminating certain key industries, suggest that an infallible means of restricting a serious war-mobilization program would be the prohibition of synthetic oil production, upon which Germany depended for more than 40 percent of her supplies.¹³ Control of the imports of natural oil, in which Germany has scarce resources—only 553,000 tons were produced in 1938, after unprecedented efforts at expansion—would also be essential in preventing stockpiling of this indispensable war commodity. The report of the Foreign Economic Administration goes farther, and recommends the prohibition also of several other items. Some of its proposals have been adopted by the Allied Control Council. For the remaining goods produced by the chemical industry the Council has authorized the maintenance of from 40 to 80 percent of the 1938 capacity.

Of the critical industries, enumerated above, only iron and steel remain to be considered. And, indeed, they constitute the fundamental problem. The question is the extent to which they shall be maintained as basic to semi-manufactured or prefabricated products for machinery, cars, appliances and many other legitimately "peaceful" goods.

On this question spokesmen of the occupying powers at first expressed different opinions,¹⁴ but the Control Council has now ruled that the German steel industry be left a production capacity of 7.5 million ingot tons, this figure to be subject to review for further reduction if necessary. The Council ruled, however, that steel production should not exceed 5.8 million tons in any future year without specific approval, though this figure will be subject to annual review by the Council. It was decided, too, that so far

¹³ Moulton and Marlio, *op. cit.*, pp. 41-42.

¹⁴ See the *London Economist*, September 22, 1945, p. 423; *New York Times*, December 12, 1945, p. 3; FEA, *op. cit.*, Part I, pp. 72 and 76-77.

as practicable only the older steel plants be allowed to continue in operation.

During the Hitler period crude steel production skyrocketed, reaching nearly 19.4 million tons in 1937 and about 23.0 million in 1938. For the latter year the figure includes Austria, but production there did not exceed 0.7 million tons; German production alone was about 22.3 million tons, a maximum never reached before.

An indication of the cut that will have to be effected if steel output is reduced to 5.8 million tons is provided by the accompanying figures, which start with 1925, the first year after the stabilization of money, and extend through 1932, the last year before the Nazi seizure of power.¹⁵ These figures, expressed in thousands of tons, show not only the production of crude steel but also, for all types of iron and steel and their products, the domestic consumption (expressed in crude steel weight; including imports and excluding exports) and the extent to which this was exceeded by production. The production figures do not include the output of the Saar district, which was under a League of Nations regime from 1920 to 1935. The figures for domestic consumption include, however, Germany's imports from the Saar, and would not be materially changed by the addition of con-

	<i>Total Volume of Crude Steel Production</i>	<i>Domestic Consumption (incl. imports, excl. exports)</i>	<i>Production minus Domestic Consumption</i>
1925	12,195	11,100	1,095
1926	12,342	8,600	3,742
1927	16,311	15,200	1,111
1928	14,517	12,400	2,117
1929	16,246	12,400	3,846
1930	11,539	7,900	3,639
1931	8,292	4,300	3,992
1932	5,770	3,700	2,070

¹⁵ *Konjunkturstatistisches Handbuch*, 1936 (cited above) pp. 62, 213-17.

sumption in the Saar district itself, which amounted to less than 1 percent of the average German domestic consumption.

In this period, which includes both the boom of the late twenties and the depression of the early thirties, production and consumption fluctuated greatly. The production high of 1927 was almost treble, and the domestic consumption of the same year more than four times, the low of 1932. For the first years after the war and the runaway inflation, the consumption figures reflect the particularly large investments made at that time in industry, public utilities, the transport system, building and public services. Throughout the period exports were affected by special influences; for example, the orders from the Soviet Union in 1931, for iron and steel goods and machinery, amounted to almost 1 million tons and compensated for setbacks in exports to other countries.

On the whole, however, the picture is clear. During 1925-29 the average annual production was around 14 million tons, and domestic consumption averaged between 11 and 12 million, the decline attendant on the short depression of 1926 being quickly offset by an above-average consumption in 1927. But in all these years investments were particularly extensive, as a result of the postponement of many investments during the war and the inflationary period of the first postwar years, and therefore the figures on domestic consumption are somewhat inflated. The inflation can be estimated at probably 2 million tons, and thus a 9 to 10 million ton consumption of crude steel can be regarded as the pre-Hitler annual average. In the depression year 1932, when domestic consumption decreased to less than 4 million tons, industry and public utilities invested only one-fifth as much as they did in 1928 or 1929, transportation less than one-third.

A consumption of 9 to 10 million tons of steel, as calculated for a normal pre-Hitler year, appears much too high for a normal postwar year. A deduction has to be made for the steel consumed in the territory east of the Oder-Neisse line, which we have estimated at 11 or 12 percent of the former average, or roughly

1 million tons. Another deduction for oceangoing ships and other strictly prohibited products, so far as they were fabricated in the pre-Hitler period, may amount to 0.5 million tons. Also, the demand for steel and steel products will be heavily reduced by the lower investment demand of the critical industries, whose production capacity will be severely cut; this curtailment may be estimated at 0.7 to 0.8 million tons. And investment demands will have to be cut by other branches of the economy as well. Reduction in the demands of public administration, in the construction of residential buildings, and in transportation, which in an impoverished Germany cannot continue its former normal level of investment, would further reduce steel consumption by about 0.6 million tons.

When allowance is made for these various reductions it appears that normal domestic consumption would not exceed 6.5 million tons. This estimate is within the maximum capacity permitted by the Control Council (7.5 million) but is about 12 percent higher than the annual production of 5.8 million tons normally authorized.

Our estimate is based, however, on an assumption of normal conditions in which the need for steel arises only from the ordinary operations of the economy. Actually Germany in the transitional period will be faced with a gigantic task of reconstruction which extends over agriculture, industry, transportation, public utilities and, especially, housing. Rebuilding of destroyed cities and towns, provision of the minimum dwelling space required for the maintenance of public health and morals, repair and reequipping of peaceful domestic industries and of agriculture, repair and overhauling of the railroad system will require extraordinary amounts of iron and steel. Public administration on all levels will in many instances have to be rehoused and reequipped. In every section of the economy the investments will have to be far greater than in the years after World War I and the runaway inflation.

The need for this additional transitional consumption has been

recognized in the State Department's December statement, which suggested a special annual allowance for extraordinary investments during a number of years in the transitional period. An allowance of 2 million tons a year would seem not unreasonable. It would not permit restoration at more than a slow pace, and the amount could be reduced in the unlikely event that the victims of German aggression were proving unable to rebuild their national economies at a pace sufficiently ahead of Germany's. And even with this allowance added to the 6.5 million tons during the period of extraordinary investments, steel production during that period would be almost two-thirds lower than its peak under the Hitler rule, and hardly more than half of what it was in the pre-Hitler boom years.

The present production capacity of the Rhenish Westphalian zone has been estimated at 8 million tons, which could be increased to 11 million if the slightly damaged works were repaired.¹⁶ In the American and French zones the former annual capacity was 3 million tons; if the feasible repairs were made, a production of probably 1.5 million tons would be possible at present, which could be raised to 2 million in the near future. Thus the total capacity of the undestroyed and slightly damaged plants would be 13 million tons a year, quite apart from the capacity destroyed during the course of the war or taken away from Germany by the separation of the eastern plants. In order to bring this down to our estimate of a 6.5 million ton normal demand plus 2 million tons a year for transitional needs, a capacity of 4.5 million tons would have to be removed or destroyed at once. And to bring it down to the capacity level permitted by the Control Council's decision it would be necessary to destroy or remove 5.5 million tons of capacity.

In any event it seems desirable to preserve the Saar plants and equipment, in so far as they are capable of resuming production, instead of including them in the program of destruction. Under the League of Nations regime from one-half to two-thirds of the

¹⁶ London *Economist*, September 22, 1945, pp. 423-24.

Saar production was devoted to non-German national economies.¹⁷ A prompt decision on the future of this district could assure that its iron and steel production will serve permanently the needs of western Europe.

In brief, with regard to industry, as with regard to agriculture, the tasks involved in attaining the Potsdam objectives are technically soluble. Germany's war potential can be destroyed by a strict prohibition of the production of arms, aircraft and ships, a sharp reduction of steel production, a prohibition of the production of synthetic oil, rubber and several other basic chemicals and materials, a restriction of electrical power plants, and, as will be discussed presently, control of the character and volume of imports. Germany's economic survival can be assured, within the bounds set by the Potsdam agreement, if the critical industries are allowed to produce to the extent that is needed in order to maintain agriculture, industry and public utilities and to provide adequate housing for the population. The steel production capacity decided upon by the Control Council is adequate, provided that special allowances are made for reconstruction during the transitional period. During the same period foreign aid will have to be provided for the restoration of productivity in Germany's peaceful domestic industries.

More difficult is the problem of industrial-labor demand and supply, and occupational distribution. Within the next few years the number of industrial workers will be much too small in relation to the immense task of reconstruction, and much too large in relation to the available raw materials, machinery, tools. This will result in extensive unemployment in industry, with repercussions also on employment in commerce and transportation. It has been proposed that the millions of unemployed be assigned to reparation work outside of Germany. This would speed up the reconstruction of the countries devastated or otherwise economically ruined by the Germans, and would assure the priority

¹⁷ On the iron and steel industry of the Saar district see *Vierteljahrshefte zur Konjunkturforschung*, 1935, Heft I, Teil B, pp. 34-36.

of their reconstruction; and it would allow a planned return to work in Germany of those who can gradually be absorbed by German industry, commerce and transportation. Reparation manpower could thus be a key to a purposeful European reconstruction. We shall not enter here upon a discussion of the administrative problems that would be involved in any such solution, or the problems that would arise in the field of labor relations in the countries utilizing reparation labor. Some slight indication of the nature of these problems may be had from experience with prisoner-of-war labor.

But it is possible that the problem of the industrial population will remain grave also in the long run. In 1933 there were about 11.7 million persons gainfully occupied in industry in the territory that will in the future remain German. Those whom the Nazi regime drained from agriculture, commerce and transportation after 1933, for work in the armament plants, will be shifted back. If we add those who came from the east to work in industry, and deduct those who fell victim to the war or to the hardships of the time, there will be approximately 12.5 to 13 million reporting for work in industry. Of these a smaller proportion than in the pre-Hitler period will be occupied in the reduced "critical industries," and a greater proportion in the unconditionally authorized domestic industries. But even if export possibilities and authorizations are assumed to reach the highest level compatible with the Potsdam agreement, the industrial population may surpass the needs of the intended industrial production.

There will be no outlet from industry to other occupations. As was pointed out above, the utmost additional labor that agriculture can absorb, even under a sound land reform, will be no more than the German farm population from east of the Oder-Neisse line and the farmers and farmhands expelled from the countries neighboring Germany on the east. Under normal conditions the number of those occupied in commerce and transportation (less than 6 million) and of those working in the professions and arts, public services and other service occupations

(about 3 million) could be expected to increase. But the impoverishment of the Germans will serve, on the contrary, to curtail the share of these occupations, the development of which depends on the national wealth.

Large unemployment figures may therefore persist in a period when most other factors point to the return of a certain stability. This would be a serious obstacle to the attainment of the Potsdam aims, even if the other objectives of that plan are ultimately accomplished. It is impossible to forecast how far the crucial problem—large offerings on the labor market and a shrinkage in the mechanical forces of production—can be reduced to supportable proportions. This depends upon unknown factors: the extent and duration of the use of reparation labor, the expected decrease in the population, the character of the adjustments which new factors and experience impose upon any regimen of control in the course of time. That these incalculable developments will add up to a solution of the employment problem in Germany is possible but not predictable.

IV

The Potsdam plan does not exclude Germany from foreign trade. A department for foreign trade is provided for among the central German administrative departments listed in that agreement. An import and export program for Germany as a whole is stressed among the common policies to be established. To be sure, Allied controls are to be imposed on all economic and financial transactions of an international nature, particularly in order to prevent Germany from developing a war potential, but sufficient exports are to be authorized to obtain the necessary means to pay for approved imports. After the removals of equipment have been effected, the proceeds of exports from current production are to be used first in payment for such imports, this use ranking before reparations. The Potsdam Declaration proposed that the need for imports be reduced by an equitable distribution of essential commodities among the several zones—an application of the

principle that Germany is to be treated as a single economic unit. At present, however, there is no common policy in the import-export field. This failure will seriously interfere with one of the objectives of the Potsdam policy if it is not remedied soon.

The interpretation of the Potsdam Declaration by the Department of State in its December statement is favorable to Germany's return to international trade. "The interests of the United States are confined to the industrial disarmament of Germany and to the provision of a balanced economic position at the standard of living indicated." This country does not, in pursuit of selfish interests, seek to weaken industries of a peaceful character "in which Germany has produced effectively for world markets"; and we are opposed to attempts of any other country to use the Potsdam Declaration economically "to its own commercial ends at the expense of a peacetime German economy. It is our desire to see Germany's economy geared to a world system and not an autarchical system."

This attitude is confronted by severe limitations, however, in several provisions of the Potsdam Declaration itself. Since reparations rank behind exports as a use for current production and stocks, it is to be expected that claimants to reparations will attempt to restrict Germany's import-export trade as much as possible. It would be only natural, for instance, for coal-importing countries of the United Nations to desire to continue the present coal deliveries as reparations and not as regular exports from Germany, for which they would have to pay. The losses suffered by the invaded western and eastern European countries justify claims for coal and other commodities; nevertheless, it remains true that a granting of these claims would considerably narrow the possibilities of using German exports as a resource for paying for imports.

Moreover, imports and exports are tied up with the standard-of-living formula of the Potsdam Declaration. Any extension of foreign trade likely to improve the standard of living beyond the limits approved would be treated as objectionable. In regard to

this problem the impoverished condition of Europe will not be conducive to a state of mind as broad as may be found in certain American agencies and sections of public opinion.

And finally, exports and imports of certain goods are prohibited, of others restricted, including such important commodities as iron and steel products, machinery, cars. The smaller the number of economic branches authorized to produce for export, the greater the onesidedness of export goods offered, and therefore the greater the resistance of foreign markets.

Such facts are unfavorable to gearing German economy to international trade. Handling of these matters by international committees will bring about endless bureaucratic difficulties and conflicts of economic interests among the Allies.

And these are not the only complications that may be expected to arise. By starting World War II Germany excluded herself from foreign trade with all overseas territories and with all belligerent nations. A good many markets have been estranged from Germany for a considerable number of years, and have therefore looked to other outlets for their goods and to other sources of supply. Present conditions in Germany, and the forthcoming removals of equipment from her western zones, make it improbable that she can establish more than limited trade relations, if any, during the next few years, even with formerly neutral countries. Thus when Germany is again able to compete in the world market, she will find rearranged trade relations into which it will be hard for her to penetrate. In the meantime she will have to solve all the difficulties resulting from her chaotic monetary situation, and find means of adjusting her money to the needs of international trade relations. Also, it would be a mistake to underestimate the psychological factor, the aversion felt particularly by some of the invaded and devastated countries to renewing ties of international trade with Germany. This feeling will weaken in the course of time, but meanwhile it will contribute, along with the other factors, to prolonging the chain of almost inextricable difficulties.

Germany will be compelled to emphasize first of all domestic production for domestic consumption. Her own interests, as well as the Potsdam plan, will induce her to rely on international trade only in so far as imports are indispensable and payments have to be provided for by exports. These conditions will probably lead to an increased use of substitutes, which may upset many predictions about German economic evolution. But in any case, impoverishment and a decline of the quality of consumption, which will be the inevitable consequence of the standard-of-living formula, even if it is wisely handled, will not be conducive to a revitalization of Germany's foreign trade.

To gear Germany to a world economy, as desired by the State Department, the only effective means would be to grant Germany credits for purchasing raw materials as a start in her reintegration in the international economic circuit. This would mean that to the billions of marks advanced for imports of food and other consumer goods during the transitional period, with scant hope of repayment, other billions would have to be added. Execution of the United States plan to supply the American zone of occupation with raw materials, in order to permit the revived operation of certain key industries, would be the first step in such a policy.

Germany formerly occupied a strong position in world trade. In 1929 she accounted for 9.5 percent of world-trade turnover, expressed in values, following the United States (14 percent) and Great Britain (13.2 percent). France was the only country whose share of foreign trade (6.3 percent) was fairly close. No other country reached even 4 percent.

Most German statistics tried to conceal the decrease in the German share of foreign trade during the Nazi period. That German trade declined in terms of value is not astonishing, for in this it followed the general trend. But it also decreased considerably in terms of volume, as is evident from the accompanying value figures expressed on the price basis of 1929 (in billions of marks).¹⁸ Of the four main countries participating in world trade

¹⁸ From *Statistisches Jahrbuch*, 1938, pp. 174*-75*.

	1929	1937	% decline
United States	39.79	35.55	10.7
Great Britain	37.53	36.99	1.4
Germany	26.93	19.27	28.0
France	17.83	13.66	23.0

Germany showed the sharpest decline in turnover between 1929 and 1937. Nevertheless, though her position in world trade was weakened by the autarchic efforts of the Nazi regime, she was not thrown back from her position in third place.

v

For a long time Germany's imports have consisted mostly of foodstuffs and raw materials, with a moderate proportion of semi-manufactured products; and in the main her exports have been finished goods. Under the Nazi regime this basic structure of her foreign trade became even more pronounced.¹⁹ Thus by 1936 raw materials and semi-manufactured products, together, which had averaged 43 percent of total imports in pre-Hitler years, accounted for 55 percent of the total, though foodstuffs had slightly declined—from about 40 to not quite 36 percent; finished products, on the other hand, had fallen sharply from an average of 17 to little more than 9 percent. And, in export trade, finished products amounted to 80 percent of the total, compared with their pre-Hitler normal level of about 73 percent; foodstuffs, which were formerly about 5 or 6 percent, had fallen to less than 2 percent, and raw materials and semi-manufactured goods had declined from about 22 to 18 percent.

A few—a very few—of Germany's industries may be able to start exporting relatively soon, thereby providing means of payment for imports. But it will be some years before Germany is in a position to establish a foreign-trade balance. The following analysis of what that balance is likely to be, and of whether its structure will be changed by the new conditions and the Potsdam

¹⁹ The 1936 data in this paragraph are from *Wirtschaft und Statistik*, 1937, no. 2, p. 59; the pre-Hitler data are from *Statistisches Jahrbuch*, 1932, pp. 174-77.

plan, applies to conditions that may be expected to prevail five or ten years from now, and should not be regarded as indicative of developments in the immediate future. It should be noted, too, that this analysis is based on the figures of 1936, the last year before the statistics became fully distorted by preparations for war. Changes in prices are likely to affect import and export goods similarly, and thus only minor errors are likely to be caused by basing our calculations on the values of that year.

Germany's food imports in 1936 amounted to nearly 1,500 million marks, of which 36 percent was for live meat animals and foodstuffs of animal origin. In this group the most important item was fats (148.0 million marks, principally butter but also lard, tallow and whale oil). It may be assumed that with the development of agricultural productivity and the decline of purchasing power, the imports of fats can be reduced to half the former level, and ultimately less. Imports of meat (86.1) and live meat animals (96.3) were the two next most important items in this group, and both of these could be wholly replaced by domestic production (meat imports were unusually high in 1936, in comparison with earlier years). Imports of fish (53.9) and eggs (75.8) can be reduced by a further development of fisheries and poultry farms, and cheese imports, too (27.6), can be diminished; these reductions, and those that can be made on certain smaller items, may be estimated, again, to amount to about one-half. If these various assumptions are valid, Germany's imports of live meat animals and foodstuffs of animal origin can be decreased within the next few years to one-third their former level, from 540 million to 179 million marks.

An even greater proportion—about 45 percent—of Germany's former food imports consisted of foodstuffs and feed of vegetable origin. In this category the most important item was oil seed and oil cake (204.7), which are indispensable as cheap feed and as raw material for margarine; these imports are essential not only to the attainment of maximum agricultural production but also to the provision of essential fats for the population, and they cannot

safely be reduced. Citrus fruits (which were imported in unusually large quantities during the Hitler years, because of political ties with Italy) cannot be produced in Germany, but they are not indispensable and could be eliminated (145.4). Most other fruits (96.6) could be produced domestically in sufficient quantity, and their imports, too, could be dispensed with. It would also be possible to sacrifice vegetables and legumes for human consumption (66.3), imported mainly during the months preceding the German harvest, and to replace them with canned goods. Imports of rice (18.7) and cocoa (30.5) could be reduced by about 50 percent. Of the remaining items in this category only certain ones of relatively minor significance, such as wheat, rye, barley, oats and margarine (totaling 17.0) could be eliminated. Altogether, the food imports of vegetable origin could thus be reduced to less than half their former level, from 670 to 320 million marks.

The final category of food imports is luxury goods, less than one-fifth of the total. Normally raw tobacco (127.0) and coffee (125.7) constituted, together, 80 to 90 percent of this category. The rest was wine (17.6), tea (9.1) and a few very small items. Large imports of such commodities will not be compatible with conditions in Germany, and therefore this group can be cut down by about 50 percent, from 289 million to 144 million marks.

Among the raw material imports, fibers (wool, cotton, jute, flax, hemp) have always ranked first. In 1936, when armament production was already booming, they amounted to 580 million marks, or 37 percent of the total. Two years earlier, when armament production had not yet called for greatly increased imports of iron, steel and other metals, the fiber imports had been 100 million marks greater and had constituted 44 percent of total raw material imports. In 1938, however, they were still at their 1936 level; there was no further reduction in absolute figures. This stability was due mainly to prewar military demands, which could not be met by poor-quality substitutes. In the future, Germany's impoverishment will probably make substitutes unavoidable, but it may be assumed that this decrease in demand for civilian con-

sumption will be offset by a greater production for export, because strong efforts will have to be made to increase the exports of textile products. For the same reason imports of hides and skins (176.8) may be assumed to continue unchanged.

Imports of metal raw materials, which rose from 12 to 20 percent of the total during 1934-36, increased in absolute terms during those years by more than two-thirds, to 307 million marks. Of this amount 60 percent was for iron ore. In 1936 nearly 18.9 million tons of steel were produced. If steel production is reduced to 6.5 million tons, about 64 million marks of iron ore imports will be needed in the future—a reduction of 121 million marks. But imports of the other metal raw materials cannot be reduced so greatly from their 1936 level, even after the period of reconstruction, for before 1936 they did not increase so greatly as the iron ore imports. A one-third decline, from 122 to 81 million marks, is about all that can be expected.

Coal (73.1) has been imported mostly from Britain, for the use of northwestern Germany, because of the advantages of sea transportation, and these imports will probably continue. Imports of wood and woodpulp (114.5) may be slightly reduced by greater domestic production, but the loss of the eastern territories and the decrease of the forest area will prevent any drastic reductions, and any reductions that can be made will be more than offset by greater rubber imports (66.2), which will result from the prohibition of synthetic rubber manufacture.

Thus on the whole it is unlikely that the imports of any raw materials except metals can be significantly reduced. From metal raw materials about 162 million marks, or 10 percent of total raw material import values, may be taken out of the trade balance.

Semi-manufactured products amounted to 750 million marks in 1936. In that year mineral oils and greases (225.0) were inflated in comparison with earlier years, and they could be reduced by one-third without seriously interfering with German industry. Artificial silk (21.2) can be dispensed with, but other yarns and clothing material (116.8) and chemical fertilizers (26.5) will have

to be maintained and even expanded. Iron imports (30.5) can be eliminated, and other metal imports (159.1), of which more than half was copper, can be cut down by one-third after the years of extraordinary reconstruction demands. A reduction of approximately one-fourth is feasible in sawed wood (91.6). Altogether these reductions would bring the imports of semi-manufactured goods down to 551 million marks, a diminution of 27 percent.

Less than 10 percent of Germany's imports were in the class of finished goods (397.4), of which one-third consisted of chemical prefabricates (50.7), heavy iron products (48.4) and machinery (30.2), all of them intended for branches of industry that are now to be subject to control. Not only these but all imports of finished goods can in the future be replaced by products of German manufacture, so far as their existence is permitted at all. It is true that a complete elimination of these goods would run counter to the maximum interests of international trade, for it would sacrifice the suggestive force that certain kinds of imports provide in the development of new lines of production. But if Germany is to achieve a trade balance under the Potsdam plan the imports of finished goods will have to be stopped.

On the whole, then, it is not impossible for Germany's imports to be reduced by nearly two-fifths of the 1936 level. The summary picture would be somewhat as indicated in the accompanying figures (in millions of marks).

	1936	195x	% decrease
Food	1,499.4	643.0	57
Raw materials	1,571.1	1,409.0	10
Semi-manufactured goods	750.0	551.0	27
Finished goods	397.4	0.0	100
	<hr/> 4,217.9	<hr/> 2,603.0	<hr/> 38

German exports would thus have to furnish annually about 2,600 million marks in order to pay for imports, plus about 100 million marks for transportation expenses incurred in foreign trade (since Germany is forbidden to build oceangoing ships), plus

an estimated 250 million marks to pay interest on debts for imports during the years immediately ahead. Exports then would have to yield values of 2,950 million marks, as compared with 4,768 million in 1936. The question is from what sources exports of this size could be derived.

As was mentioned above, the bulk of German exports—four-fifths in 1936—was finished goods (including prefabricates). In 1936 the export values of finished goods alone were 850 million marks greater than our estimate of total export requirements in a normal postwar year. These included, however, goods produced by the industries whose production is now prohibited entirely or drastically curtailed. The accompanying table shows the specific items that constituted finished-goods exports in that year, classified according to whether they belonged among the critical and prohibited, or among the unconditionally authorized industries. In order to show how far these figures express continuous economic trends and how far they may have been influenced by the policy of the Hitler regime, or by particular economic events during that period, the figures for the pre-Hitler year 1929 have also been included in the table. It should be kept in mind that the great differences in absolute figures are more indicative of price declines than of changes in volume.

The high proportion of what are now critical or prohibited products is evident from the table—over two-thirds of all finished-goods exports in 1936. This was a substantial rise over their 1929 percentage, even though in absolute terms their value in 1936 was less than half of what it had been in the earlier year. The increase in relative importance was due entirely to machinery, cars and ships, and chemical and electrical products. And, conversely, almost all of the finished-goods exports produced by industries that are now authorized showed a decline in relative importance between 1929 and 1936. The drop that occurred under the Nazi regime was particularly evident in the field of textiles.

If a restored peaceful economy of the future can export finished

goods of the same values as in 1936, with the critical and authorized industries having the same relative importance as in 1929, the unrestricted section will provide 1,734 million marks worth of commodities, or almost three-fifths of the 2,950 million marks

GERMANY'S EXPORTS OF FINISHED GOODS, 1929 and 1936

<i>Item</i>	<i>In Millions of Marks</i>		<i>% of Finished Goods Exports</i>	
	1929	1936	1929	1936
CRITICAL AND PROHIBITED INDUSTRIES				
Ironware	1,946.1	724.5	19.8	19.0
Metalware	567.9	215.3	5.8	5.7
Machinery	1,250.3	605.8	12.7	16.0
Cars, ships	145.6	191.4	1.5	5.0
Chemical products	956.6	596.1	9.7	15.7
Electrical products	481.5	258.4	4.9	6.8
Total	5,348.0	2,591.5	54.4	68.2
AUTHORIZED INDUSTRIES				
Fabrics	1,384.2	287.2	14.1	7.6
Clothing, underwear	160.1	54.4	1.6	1.4
Other textile goods	130.4	27.6	1.3	0.7
Leather	270.3	58.5	2.7	1.5
Shoes, other leatherware	123.2	27.4	1.3	0.7
Furs, pelts	288.9	40.5	2.9	1.1
Paper, paper products	418.3	149.8	4.3	3.9
Books, etc.	60.9	36.0	0.6	0.9
Ceramics, chinaware, pottery, etc.	144.9	59.1	1.5	1.6
Glass, glassware	247.3	76.1	2.5	2.0
Woodwork	105.8	38.9	1.1	1.0
Rubber goods	131.2	40.3	1.3	1.1
Bicycles	55.8	25.9	0.6	0.7
Watches	61.1	32.3	0.6	0.9
Optical, precision instruments	123.7	90.5	1.3	2.4
Musical instruments	117.1	28.1	1.2	0.7
Toys	121.1	36.5	1.2	0.9
Miscellaneous	540.6	101.3	5.5	2.7
Total	4,484.9	1,210.5	45.6	31.8
TOTAL EXPORTS OF FINISHED GOODS	9,832.9	3,802.0	100.0	100.0

which we have estimated as necessary. This may appear feasible, but it should be regarded as the maximum if a flooding and consequent disintegration of foreign markets by German exports is to be prevented. Exports of 1,734 million marks would mean a 43 percent increase over the 1936 exports in the same category. And such a recovery of the markets lost during the early thirties would have to be accomplished against many odds and against a trend that is not likely to be reversed. The decrease that occurred during that period in textile exports, for example, reflected an international trend, though it was nowhere so great as in Germany; between 1928 and 1936 world trade in textiles decreased by 22 percent of volume, German trade by 41 percent.²⁰ Similarly, in the same period world trade in leather fell off by 37 percent, German trade by 52 percent. There are some items that may have better prospects, but on the whole an increase in finished-goods exports from 1,210 million to 1,734 million marks is the utmost that can be expected.

Less than one-tenth of total exports in 1936 were raw materials—419 million marks—and of these coal (including lignite) accounted for 70 percent (295.4). The remainder was potash (24.7), quarry products (31.8) and certain small items that may be expected to continue as before. Coal exports, at 29.7 million tons, amounted to about 15 percent of the approximately 200 million tons produced. (Coal imports, it should be remembered, amounted to 4.8 million tons, or about 73 million marks, and it has been assumed that these will continue.) In the future this percentage of production for export can probably be increased, even if allowance is made for the loss of production resulting from the cession of Upper and Lower Silesia.

Formerly the iron and steel industry absorbed about 15 percent of total coal production, the chemical industry between 4 and 5 percent, and under conditions of Allied control the demand from both these sources can be at least halved. Transportation absorbed 9 percent of production; this can be reduced by one-fourth, as

²⁰ *Statistisches Jahrbuch*, 1932, pp. 177-79; 1937, pp. 243-47; 1938, p. 155*.

a result of the prohibition of oceangoing ships and the decline of railroad transportation consequent upon industrial restrictions. Together these reductions in domestic demand would amount to about 25 million tons. From this it is necessary to deduct about 5 million tons that the Ruhr will have to supply in replacement of coal which the ceded territories were formerly able to provide in addition to their own consumption. Thus about 20 million tons of coal in addition to the former exports can be made available for foreign trade, an increase that would raise the income from this source by about 200 million marks. If the Saar problem were to be solved as discussed above, however, thereby removing the Saar mines from the Germany economy, the additional income from coal would be no more than about 80 million marks.

The very small values in food exports can be assumed to remain unchanged. But exports of semi-manufactured goods can be expected to decline by 30 percent as a result of the Potsdam provisions regarding critical industries. Chemical goods (85.1), iron and iron products (40.7) and exports and reexports of other metals (11.3) must be deducted from the income received from this group, leaving about 322 million marks.

The accompanying figures indicate (in millions of marks) what the export side of the trade balance will be if we adopt for each

	1936	195x	% change
Finished goods			
Critical and prohibited	2,591.1	0.0	-100
Authorized	1,210.1	1,734.0	+43
Raw materials	419.0	619.0	+48
Semi-manufactured goods	459.4	322.0	-30
Food	88.0	88.0	0
	<hr/> 4,767.6	<hr/> 2,763.0	<hr/> -42

category the most favorable assumptions possible. It is evident that the estimated 2,950 million marks of required export values is still in excess of the values we have found—by roughly 200 million marks, or, without the Saar coal, by roughly 300 million

marks. Three possibilities of dealing with this deficit may be envisaged.

First, imports might be reduced by a further 200-300 million marks. This, however, would necessitate so deep a cut in the imports of foodstuffs and raw materials that it would mean a serious interference with domestic production and export potentialities. If the Germans do everything in their power to get their national economy back on its feet, and if the Control Council pursues its task in a spirit of cooperation, goodwill and harmony, on the basis of a benevolent interpretation of the Potsdam plan, a trade balance as outlined appears a realistic possibility. But a greater contraction of imports than we have assumed would only reduce home production and exports, and could not lead to the desired objectives.

Second, the payment of interest on immediate postwar import debts, at an estimated rate of 250 million marks a year, could be totally or partially suspended—a procedure that was left open in the State Department's December statement. This could either take care of the entire deficit or leave only a negligible gap.

Third, the critical industries could be authorized to export goods amounting in value to the 200-300 million marks required. As was mentioned above, the Potsdam accord does not exclude this course, but so far the Control Council has failed to agree on the export of any critical goods except electrical equipment. If the Council would authorize the production of a few hundred thousand tons of steel in addition to the domestic requirements, the increase could be used for the export of iron and steel products and total steel production would still be under the 7.5 million tons which the Council has set as the maximum capacity. This would solve the problem of the trade balance.

VI

If the Potsdam plan is carried out in accordance with its essential meaning, and a German trade balance is developed along the lines suggested above, there will be room for moderate optimism con-

cerning Germany's economic future. The former structure of her foreign trade would not be fundamentally changed, except for the elimination of the critical industries from participation in finished-goods exports. In value terms her trade would be considerably lower than it was under the Nazi rule, but the consequent reduction in the standard of living would not be too low for decency and safety.

On the other hand, it is quite true that a 40 percent reduction in Germany's foreign trade, in comparison with the figures under the Nazi rule, would have unwelcome repercussions on other countries, especially on those that formerly had close commercial ties with Germany. It would be useless, however, to lament the reduction of German participation in international trade. The world's political and economic forces have changed so profoundly that a constructive attitude toward trade relations cannot be based on merely reconstructive principles. It is worth while, therefore, to consider in brief outline how new trading alignments may serve to compensate Germany's former trade partners for the business they will lose through her political and economic collapse and the requirements of European security.

The trade policy developed by the Nazi regime was based on political hegemony and economic exploitation. As a result, German trade relations in Europe shifted away from the industrial countries in favor of the agricultural countries of the southeast, and the latter states became largely dependent on Germany. During the Hitler rule more than one-third of the total imports of Bulgaria, Greece, Hungary, Rumania, Turkey and Yugoslavia were bought from Germany, and more than one-third of their exports were sold to Germany—a 100 percent increase over the proportions that had obtained in 1928. It is clear, therefore, that the foreign-trade structure of these countries will be considerably affected by the reduction in German sales and purchases.

The bilateral economic agreements that the Soviet Union has concluded with the states of the Danubian basin are evidence of Russia's intention to become economically predominant in this

region. Consumer goods, however, are the commodities most needed by these states, and for some years to come Russia will be unable to supply even her own demands in this field. In the meantime the Balkans may be open to a certain amount of trade with the western countries. Also, when Balkan agriculture is restored the western countries may be able to offer markets, lost in Germany, for tobacco and non-tropical fruits, particularly from Greece and Bulgaria, and for vegetables, legumes and meat from Hungary. Hemp, soya beans, lard and eggs, hides and skins from Rumania, Hungary and Yugoslavia may find a market also in Germany. But bauxite, copper and lead ore exports from Hungary and Yugoslavia to Germany will cease or be severely restricted; these goods and Rumanian oil will to a large extent be exported to the Soviet Union as reparations.

The two industrialized states of the Danube basin, Czechoslovakia and Austria, can be expected to resume trade relations with the Danubian agricultural states, and this would further contribute to the liberation of this region from the dependence forced upon it by Nazi policy. The resumption of this trade will certainly be very gradual, however, in view of the general state of distress, starvation and devastation in this entire area.

Expansion of German trade with the Latin American countries was another feature of Nazi economic policy. Between 1932 and 1938 Germany increased her share of total Brazilian exports from 9 to 19 percent, of Argentinian from 9 to 12, and of Uruguayan from 15 to 23; in the same period she raised her participation in total Brazilian imports from 9 to 25 percent, in Chilean from 15 to 26, and in Uruguayan from 10 to 16.²¹ The trend was the same in many of the smaller Latin American countries, while in the same years Germany was cutting in half her former proportion of trade with the United States. Since 1939, however, with the adjustments imposed by war needs, the German offers and demands have been replaced mostly by the United States and Great Britain. In the years immediately ahead the Latin Ameri-

²¹ *Wirtschaft und Statistik*, 1940, no. 16, pp. 339-42.

can agricultural and raw material countries will be favored by the needs of European reconstruction and the exhaustion everywhere of stocks for domestic consumption. When these extraordinary demands have been met, Germany's newly developing purchases of wool, cotton and certain other raw materials may prove a stabilizing factor in Latin American exports, although the trade would certainly be far below the level that was artificially stimulated by the Nazi regime.

A third group of countries that may be particularly affected by the decline of German world trade consists of Germany's small neighbors and those larger countries which either received from Germany, or supplied her with, goods not easily obtainable from other sources. Contrary to general opinion, Germany was not the best customer of her small neighbors. Only for Switzerland was she the largest purchaser; in the exports of the smaller countries of western Europe and of Scandinavia and Finland the highest ranking customer was Great Britain. For some years, at least, Germany will need fats and eggs from Denmark and the Netherlands, fish from Norway and Sweden, and such exports will help to stabilize the trade of these countries. In the Swedish and also in the French export trade with Germany the biggest item was formerly iron ore; these sales can be continued only on a sharply reduced scale, but iron ore will be in greater demand in Great Britain, and the exchange of iron ore and coal between Sweden and Poland, which has already been negotiated, will provide an outlet for Swedish ore when reorganization is completed in the Silesian coal and metallurgical center, the second largest on the European continent.

As for the former exports of Germany herself, France, Italy, Switzerland, the Netherlands and Belgium will continue to receive coal. The decrease of German production in the critical and prohibited industries will be offset by an increased production of the same goods in other industrial countries; the reparations policy of removal of equipment is closely linked to this objective. The enlarged capacity of United States steel production will

enable this country to substitute its offers for those of the Germans, especially in the Latin American markets. Also, the British steel industry, in its five-year plan of modernization and expansion, has taken into account the curtailment of German steel production;²² in selling more steel and steel products, particularly machinery, it will offer an alternative to former customers of Germany. Some continental states may follow the English example. The enormously expanded world capacity for the production of machinery and chemicals, especially in the United States and Great Britain, will easily replace Germany's former exports of these products. It is noteworthy, too, that countries that are led to expand their industrial equipment and capacity will increase their purchases as well as their sales on foreign markets, thereby providing further compensation for lost trade with Germany.

Finally, it is quite possible that the Soviet Union will increase her participation in the world market. Before World War II her share in world trade was insignificant, only about 1 percent of both imports and exports in 1937. If the present stresses between Soviet Russia and the other United Nations diminish with time, and problems of defense pass into the background, the Soviet government will face the problem of raising the standard of living by a great increase in consumer goods. It will be years before Soviet industry can fully satisfy this demand, which will be vast when it once awakens. Meanwhile it may well be that the Soviet government will find it desirable to exchange raw materials and foodstuffs in large volumes for German consumer goods. While other victims of German aggression may be hesitant about buying German commodities, it may be assumed that the attitude of the Soviet government will be strictly realistic.

VII

The economic problem of Germany is immensely difficult, but, given time, it is not insoluble. In the immediate future it can be

²² London *Economist*, July 28, 1945, p. 125.

solved only by generous outside aid. But our discussion looks forward to a period when all practicable adjustments have been made, five years or possibly ten years hence. It appears not unreasonable to believe that by that time, assuming a wise administration of the Allied measures of control, German industry and agriculture will be able to meet the essential demands of a peacetime economy. Whether they will be able to offer sufficient employment to the German working population is a question of great significance, but it cannot yet be answered.

Germany must import large quantities of raw materials if her non-war industry is to be kept going, and this implies large exports to pay for them. The simplest solution of the whole export problem, and also an alleviation of the unemployment problem, would be to shift upward the limitations on chemicals and metallurgical products, but this could not be done without developing a certain war potential. Whatever concessions may be made in this direction, the main hope for German export lies in the multitudinous products of light industry, for which German skill has proved well adapted.

We are aware that the development of German exports involves serious problems of marketing. The countries of western Europe are not eager to receive a flood of German goods, and the Russians are, or will be, in a position to restrict German exports to the Balkans. Nevertheless, the whole world is hungry for consumer goods, and certain German products are indispensable import commodities for western and southern Europe. It will be many years before Russia, Poland and the Balkans can supply themselves adequately. In spite of their hatred of Germany they will buy German goods so long as Germany's exports do not conceal designs of national aggression.

We have not undertaken to analyze the immediate economic position of Germany. The occupying powers have not yet found a formula for setting up Germany as an economic unit, a preliminary step toward economic recovery. No one knows yet on how large a scale equipment will be removed. Transportation is still

in a shattered condition. The morale of the working population is very low, partly in consequence of underfeeding, but mainly in consequence of the demoralization of a long and unsuccessful war. There are millions of young Germans, once in the SS, SA and the Gestapo, who have been thoroughly weaned from honest labor. Millions more lost their habits of industry and thrift through the interminable campaigning of seven years of war. We must therefore look forward to months and years of disappointingly slow progress toward a fruitful economic life.

Nevertheless, there is enough discipline left in the people of Germany to justify the hope that Germany will ultimately assume a useful place in the family of nations. Time alone can show whether the other qualities essential to this aim will develop in the German people. It remains to be seen, too, whether the present trend away from the principles of the Potsdam Declaration will assume proportions that will jeopardize the execution of that plan—the only cooperative one thus far devised which offers hope for a realistic solution of the German problem.

U
can
pea
I
Th
and
Pot
and
sess
the
don
V
sho
Dun
wei
righ
But
plet
pow
T
not
mus
ther
they
Japa
with
T
reali

BIG THREE SOLIDARITY

BY THOMAS K. FINLETTER

I

UNLESS the Big Three—the United States, Russia and Britain—can agree how the peace is to be organized, there will be no peace.

During the war there was substantial agreement among the Three. At the Moscow meeting of Foreign Ministers in 1943, and later at Teheran, Dumbarton Oaks, Yalta, San Francisco and Potsdam, the Three were in accord as to the conduct of the war and the organization of the peace to come. And since they possessed the dominant industrial and military power of the world, they and they alone made all decisions relating to the war and dominated the arrangements for the organization of the peace.

With the coming of peace the notion that the Big Three alone should decide how the world is to be run has been challenged. During the war the military strength of the Three so far outweighed that of the other Allies that no one could contest the right of the Three, alone, to decide on the conduct of the war. But with the peace this monopoly of decision is no longer completely accepted. It is being attacked, not only by the lesser powers, but by two of the Big Three themselves.

The trouble is that the principle of Big Three solidarity is not an end in itself. It is a tactic, not an objective. It therefore must be supported by an agreed substantive policy. The reason there was solidarity among the Three during the war was that they knew what they wanted—to beat the Germans and later the Japanese. Having done that they are left with their tactic but with no understanding as to what is to be done with it.

The Russians have held steadfastly to what may be called the realistic line. Relations between nation-states in time of peace

as well as war are controlled by military potentials. The most important relations between nation-states are those having to do with the jockeying for position for the war which may (and so far always has) come. Even the most peacefully inclined state has to carry on diplomatic maneuverings in peacetime with its eye on the next war. It must prepare to defend itself. It must build up armaments and must seek to acquire strategic zones of influence and alliances which will put it in the strongest possible position when hostilities break out. A peacefully inclined state will also use its bargaining power to try to avoid war, but it must always have in its mind the possibility that its efforts to that end will be unsuccessful.

It is therefore not an illogical proposition that military might should carry with it the diplomatic right to make the decisions of peacetime; and such has been the Russian position. Nor is it surprising that the jockeying for zones of influence has brought about tensions among the Three. There are huge areas of the world which are as yet unclaimed in that no one of the Three has a clearly dominant interest in them. Naturally there is conflict over the future orientation of these areas. Also, the great expanse of the Dutch and British empires has made them vulnerable to influences from without.

The Anglo-American position has been different in some respects. The British and ourselves have been quite as aware as the Russians of the strategic nature of this nation-state maneuvering. Our insistence on keeping the strategic Japanese islands, our policy of stockpiling atomic bombs and our determination to keep ahead in the armament race which is already under way, the British interest in a zone of influence in Greece, the resistance of the British and ourselves to Russian trusteeship of Tripolitania, the British support of Iran's case before the Security Council, and our insistence on maintaining the veto in the Security Council of the United Nations, all reflect a realistic policy of *sécurité* which differs from the Russian attitude principally in that the Anglo-American policy is largely to maintain

the present distribution of power while the Russian policy is more expansionist. Nor is there anything to apologize for in this. In a world in which no system for preventing war exists except the hope that the nations will of their own accord keep the peace, each nation-state has to look out for itself. Armaments, alliances and zones of influence are necessary in a polity of sovereign nation-states. Some of the maneuverings may seem antiquated in an atomic world, but this does not affect the principle.

The Anglo-American attitude has contained, however, an element of disinterested idealism which makes it more complex than the Russian policy. This has shown itself in various ways.

First, in the United Nations organization itself. UN is largely an American product. Even though we refused to join the League of Nations, the United States has long stood for the principle that right and power do not have to be coterminous. In the western hemisphere the Good Neighbor policy requires us to recognize rights in the other American republics which have no relation to their military strength. And, although the present policy of the State Department shows a deep interest by this country in the forms of government of the other American republics, we will not use our industrial and military power to compel them to accept anything they do not want to accept as sovereign independent states.

This is not our policy for this hemisphere alone. The declarations of American statesmen have traditionally been against what former Secretary of State Cordell Hull called "spheres of influence, alliances, balance of power, or any other of the special arrangements through which, in the unhappy past, the nations strove to safeguard their security or promote their interests." We have never been willing long to accept a middle ground in international affairs. Either we have withdrawn into isolation, or we have insisted on the worldwide approach which Woodrow Wilson initiated in 1919.

The Moscow Declaration of October 1943, largely formulated by Secretary of State Hull, set the pattern for the present organ-

ization of peace. The basis was to be an association of peace-loving states based on the principle of the sovereign equality of each. The British and the Russians accepted the principle, and it was brought into being in the United Nations Charter. True, in the Security Council where the power of the new League of Nations is situated, the veto gives the Big Three effective control of UN. But the principle that the lesser powers are to be heard is there also. They can bring matters before the Security Council for decision, as the recent Iranian case has shown. And although they cannot carry their point if any of the Three object, they can appeal to world opinion by their debates in the Security Council and the Assembly.

UN is thus a compromise between the Russian realistic view and the more idealistic attitude of the United States and Britain; but it is a compromise in which the substance goes largely to Russia. The structure of UN is seemingly universal, with all the Powers represented in the Assembly and eleven in the Security Council. But the decisions are made by the Big Three.

II

The same conflict of realism and idealism arose in the London Conference of the Foreign Ministers of the Big Five in September-October 1945. Who was to make the peace treaties with the defeated enemy powers, and in particular with Rumania? Without going into all of the moves and countermoves, it is enough to say that the Russians wanted the Big Three alone to negotiate and sign the treaty with Rumania, while the United States and Britain wanted a wider participation. They wanted France, and possibly China, to negotiate the treaties, and a later general European peace conference to consider them.

The London Conference broke up in sensational disagreement among the Three. The main reason for the break-up, as stated in the hostile public statements of the Foreign Ministers of the Three immediately following the Conference, was this question of who was to negotiate the Rumanian treaty. Actually the

bre
disp
by
For
Stat
was
Run
gene
the
ing

All t
the
the
the
in th
beca
with
amon
carry
Angl
Russi

Th
At Ya
gover
lation
that f
count
cation
of the
the iss
inter

It w
in let

break-up was over more important issues. But in any case the dispute over the negotiation of the treaty was patched up later by a compromise at the Moscow December 1945 meeting of Foreign Ministers, in which again the form went to the United States and Britain and the substance to Russia. The solution was to have the Big Powers negotiate the treaties with Italy, Rumania, Bulgaria, Hungary and Finland, to submit them to a general European Conference for suggestions, and then to have the Big Powers write the final documents accepting or not accepting the Conference's suggestions as they chose.

III

All these differences among the Three were largely procedural—the Anglo-Americans leaning toward the granting of rights to the lesser powers and in the general direction of a rule of law, the Russians wanting to keep the power of decision exclusively in the Big Three. Because the differences were procedural and because the solutions which were reached did not in fact interfere with Big Three domination, they created no important friction among the Three. But other issues caused real trouble and still carry with them possibility of serious conflict, for at several points Anglo-American idealism has stepped on vital interests of the Russians.

The most prominent instance again had to do with Rumania. At Yalta in February 1945 the Big Three had agreed that interim governments broadly representative of all elements of the population should be set up in the liberated countries of Europe, and that free elections for definitive democratic governments in these countries should be promptly held. The dispute over the application of this provision of the Yalta agreement was the real cause of the break-up of the London Conference in October 1945, for the issue involved was the extent of the Russian zone of exclusive interest in southeastern Europe.

It was one thing when Anglo-American ideals merely resulted in letting nations with relatively little military power sit in on

the discussions while the Big Three made the decisions. It was quite another thing to have the Anglo-Americans insisting on their brand of government in the countries immediately adjoining Russia. Idealism was getting out of hand. And how idealistic was the Anglo-American policy? Is it not understandable that the Russians might think that the purpose of the British and Americans was less to spread freedom than to block the expansion of the Russian zone of influence?

This zone-of-influence question is the most difficult now facing the Big Three, and is the most likely source of trouble among them. The Anglo-American desire to see governments responsive to the will of the people in as many countries as possible is in conflict at many points with the Russian desire to see governments friendly to the Soviet. The competition of ideologies has exacerbated the tensions which normally exist among great powers by the mere fact that they must of necessity defend and often expand their respective zones of influence.

All three of the Great Powers are of course busy in the game of seeking to consolidate their existing areas of dominant interest and to strengthen, or at least maintain, their positions in the mixed zones. The United States already has a fairly clearly defined area in which her influence is dominant. Ever since the Monroe Doctrine it has been our national policy to allow no foreign power to extend its position in this hemisphere, and by the Good Neighbor policy we have increased our influence with the other American republics. We have Alaska, the entente with Britain which gives us a vicarious influence in western Europe and in Middle Eastern oil. We have no intention of giving up the newly acquired strategic Japanese islands.

The same is true of the British, except that more than the United States, the British have interests in mixed zones, such as the Near East, where other powers also have pretensions. The Russians, on the contrary, have not as yet a clearly defined Monroe area; but they are rapidly getting it, and Secretary of State Byrnes has said that it is right that they should. They have incorpo-

rated the Baltic states into the Soviet Union and have established almost complete control of Poland. They have a similar control of Rumania and Bulgaria, and no Anglo-American reliance on the Yalta Agreement will stop them from exercising that control, any more than did a similar Anglo-American line stop them in Poland. The Russian zone of influence in the territory immediately adjoining the Union will not be a serious threat to Big Three solidarity, for even now it is a *fait accompli* accepted by Russia's two great partners. But in other areas the present Russian policy of increasing her zone of control may well run into real Anglo-American opposition, and therefore present a dangerous question.

The trouble, of course, is in the gray areas where two or more of the Big Three assert a concurrent interest. The British regard command of the Mediterranean and the Red Sea as necessary to their route to the Indian Ocean and therefore as vital to them. The Russians have challenged this British position by their insistence on an outlet through the Dardanelles, their reluctance to the award of the Dodecanese islands to Greece, their demand for exclusive trusteeship of Tripolitania and Eritrea, and the recent attack in the Security Council on British actions in Greece.

The whole Near East is a gray area, with Iranian oil as the immediate point of conflict. Russian support of dependent peoples in India and Indonesia is a jockeying for power in the Far East, much of which is territory not clearly allocated to any of the Three. The United States is also in the gray area game, by her support of the British in their defense of the status quo. We have a long-standing policy which asserts our high interest in maintaining the open door and the territorial integrity of China, including Manchuria. And it has even been suggested that we should establish ourselves in the eastern Mediterranean, in order to be able to negotiate in our own right with the Russians about the future of that area.

As yet the question of the domination of Germany and the Low Countries has not been raised (except in a protest from *Pravda* at the notion that the Lowlands should become part of

a western grouping); the future of Italy proper is not settled; nor have the Russian plans for becoming a sea power been made clear; nor has the future of our wartime bases in Greenland and Iceland been clarified. But all these matters will probably become important in future Big Three relationships.

IV

Much as we may deplore the game of power politics and the parcelling of the world into zones of influence, we are in it up to our neck. And since we are in it we must try to make it work. We must seek, first, a clear delimitation of the zones allocated to each of the Big Three, and, second, agreements as to the respective roles of the Three in the gray areas where their interests concur. We must lessen the tensions among the nation-rulers by having those nations agree on the division of the world which they dominate by reason of their military victory.

But obviously no lasting peace will be built on that foundation alone. The tactic of Big Three solidarity, unsupported by agreement on fundamental policy and working in the inflammable atmosphere of an armaments race in modern weapons, cannot keep the peace for long. A clear understanding as to zones of influence may be enough to prevent the victors from fighting at a too unseemly early date over the spoils. But Big Three solidarity is at best an expedient which is useful to clear the way for a more constructive policy. Practically every peace settlement in history following a war won by a coalition of powers has found the coalition carving up the world in a gigantic real estate operation and trying to agree on some formula for living together in the tenancies in common. And of course every such attempt has failed, if for no other reason than that a peaceful world cannot be built on an arrangement whose purpose is to prepare for war.

What, then, is a constructive policy which will have some chance of keeping the Big Three together? And in particular what policy can the United States put forward to carry out the responsibility for leadership which now lies upon her? Clearly

it cannot be one of the bankrupt notions of the past, nor must it look too far and impractically into the future. It is not enough, for example, to say that we want a peaceful world. That is unspecific and negative. As the objectives of the Atlantic Charter have lost almost all meaning because they are statements of mere aspirations, so an announcement that we are seeking world peace amounts to nothing more than an admission of a lack of policy.

Nor is it specific enough to talk of preparing the economic, social and moral conditions which will make for a peaceful world—although that is getting nearer the mark. If Britain, Russia and the United States could agree on a world five-year plan to increase standards of living, encourage the spread of information to and from each of the nations, facilitate the interchange of specialists, increase educational standards, hasten the move of dependent peoples toward self-government, step up the responsibilities of trusteeship of dependent areas, and generally improve the economic wellbeing of the peoples of the world and eliminate the hatreds among them, that would be a constructive program which would carry with it the hope that the solidarity of the Three might become the solidarity of all the peoples of the world.

But even a program such as this should, I think, be accompanied by and should yield in priority to a more immediate objective—to create a rule of law among the Three and all other peoples.

v

There is an emergency in political organization in the world. Applied science for destruction has run so far ahead of world political organization that man has to do something immediate to prevent himself from being blown up. The crisis is the question of the control of the weapons of mass destruction—not just atomic weapons but all the bacteriological devices, electronically directed rockets, long-distance bombers and fifty-ton bombs which were developing as the war came to an end and will be developed geometrically further in the years to come.

World political organization has stood still since the Concert of Europe. Applied science has run riot since then. In 1815 there was a balance between political organization and man's capacity to kill and destroy, in the sense that the race could survive the worst that the military of the time could do. Now the imbalance of science and politics is such that the next war may well destroy the best if not all of the civilization man has made. Therefore the most important immediate objective of foreign policy must be to remove the imbalance.

Note that in saying that this should be the first objective of foreign policy I do not say that there are no other policies which should be sought at the same time. The immediate tactic of avoiding dissension among the Big Three is essential. The long-term policy of creating the economic, social and moral bases of peace should also be pursued. But the immediate objective, the emergency action, should be given priority. For unless that objective is reached, soon, the other policies will become academic. Only by creating a world political organization which will control the products of modern science can the world be given a chance to develop a constructive peace.

VI

The governments of the United States, Britain and Russia have announced that this is their policy. The governments this time are ahead of the peoples. Realizing what an atomic attack would do to Britain, Mr. Attlee came to Washington last November and negotiated the Atomic Declaration with the United States and Canada. The Declaration called for the "elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction"—that is, for substantially total national disarmament. The Atomic Declaration was taken to Moscow in December, and the Foreign Ministers of Russia, Britain and the United States signed the Moscow Agreement by which the Big Three adopted the disarmament clause of the Atomic Declaration verbatim.

Policy number one of all who want to avoid an atomic war should be to insist that the Moscow Declaration be carried out. At the moment the governments of the United States and Britain, having formally announced a policy to which the wise may repair, are waiting, as democratic governments must, to see if there is the necessary support in their legislatures and above all in their peoples to enable them to move forward. It is becoming clear that there is the necessary support from the British Parliament and people. The issue is up to the United States. And opinion here is as yet unformed.

It is not surprising that we are not sure that we want to go ahead with the Moscow Declaration. If we were to agree to strip ourselves of atomic and other weapons of mass destruction we would have to insist that there be simultaneously set up a world government of limited powers to protect us, in the words of the Moscow Agreement, from "the hazards of violations and evasions" by other powers. Any nation which gives up its right to possess these modern weapons would be at the mercy of any other nation which had them. Therefore if we are to give them up we will have to see to it that there is some international authority which has the right and the power to prevent any other nation from violating the disarmament agreement and possessing the prohibited weapons.

There is not space in this article to do more than sketch the powers which such an international organization must have. The premise must be that we will never disarm ourselves in reliance on an international treaty on the Kellogg-Briand model, for we know that this would be an entirely inadequate guarantee against the "hazards of violations and evasions." We will disarm only if a supranational authority having the necessary attributes of government based on law, with the necessary power to enforce that law, is set up to see to it that we are safe in disarming. Such a limited world government (which could be established by amendments to the United Nations Charter) would have only the minimum powers necessary to the immediate purpose in

view—that is, to suppress war and the manufacture or possession of the weapons of mass destruction. To carry out these powers UN would have to have, first, preponderant military power, so that any defiance of its law could be suppressed; second, direct jurisdiction over the individual citizen in every country, so that the national governments could not defeat the enforcement of the law; third, a legislature and judiciary to develop and enforce the law; and fourth, a limited taxing power, so that it could not be starved for lack of money.

This is a tall order. It is easy to say that it is impossible. But it is not as impossible as it may seem. Throughout history the development of new weapons has had a decisive and rapid effect on political institutions. The Foreign Secretary of Great Britain already has announced in the House of Commons that Britain wants a world government. It is natural that the United States, because of her geographical location, should be slower. But if we think of the day when it will be announced to the American people—say in about five years—that other nation-states have atomic bombs in large quantities and can at any moment drop them on us, we must anticipate a rapid change in public opinion in this country on the question of the policy of the Moscow Agreement. It is quite possible, and I think even likely, that the demand for a regime of world law, enforced by the United Nations organization under its Charter so amended as to give it the attributes of a limited world government, will become irresistible.

(New York City)

DEMOCRACY—CHALLENGE TO THEORY

BY ARNOLD BRECHT

THAT postwar democracy constitutes a challenge to political practice no one would deny. Apparently everyone is waiting for practice and practitioners to take up the challenge and to solve the grave problems of which he is dimly and uncomfortably aware. But merely to wait and to pray is not enough. Postwar democracy is, above all, a challenge to thinking—a kind of thinking that has not been fully done, a thinking that anticipates the future and heeds the lessons of the past, a thinking that ought to precede, rather than follow, practice.

The eminence of many a great scholar in the field of political theory is not to be disputed, but the fact remains that the profession as a whole—whose collective responsibilities I feel as a member—has not fully discharged its function: to see, sooner than others, and to analyze, more profoundly than others, the immediate and the potential problems of the political life of society; to supply the practical politician, well in advance, with alternative courses of action, the foreseeable consequences of which have been fully thought through; and to supply him not only with brilliant asides but with a solid block of knowledge on which to build. In short, speaking here as a theorist, for once I do not accuse political practice; I accuse political theory.

Instances to support this charge are legion. Starting with fundamental problems, one could point to the fact that during the last hundred years political theory has cultivated highly superficial habits regarding the discernment between proper and improper ends of government, and between proper and improper means. Actually, the greatest scientific contributions to this basic question that have been made during the past fifty years in non-religious political and legal theory, by anything that can be called

a "school" or a solid "block of knowledge," have been those of the very scholars whose doctrine seemed to obstruct the path to further progress—the higher-level modern relativists. *Lex-ferenda* relativists, one might call them, as distinguished from the more general type of positivistic relativists; avowed and overt relativists, if I may say so, in contrast to the muddle-headed and latent relativists that crowd the profession; relativists who were not partisan but neutral in their scientific endeavors, out of what they believed to be an obligation of scholarly honesty, and who were nevertheless not passive but active and even aggressive in describing the consequences and implications of the various political creeds of their time—men like Max Weber, who did not live to measure his theory against Hitlerism, or Gustav Radbruch, who in inner exile survived in Heidelberg.¹

The problem of whether it is possible for science, and if so, how, to do more than the higher-level relativists conceded could be done, has hardly been broached systematically in non-religious political theory.² Most contemporary theorists prefer to dispose of these problems, if they bother to consider them at all, with a few general remarks or with skeptical references to surviving ideas of natural law. In the histories of political philosophy written in the United States—and so admirably written as a whole—one

¹I have tried to describe twentieth-century relativism in political and legal philosophy and to trace the widely scattered literature on the subject in the following articles: "Relative and Absolute Justice," in *Social Research*, vol. 6 (February 1939) pp. 58-87; "The Rise of Relativism in Political and Legal Philosophy," *ibid.*, vol. 6 (September 1939) pp. 392-414; "The Search for Absolutes in Political and Legal Philosophy," *ibid.*, vol. 7 (May 1940) pp. 201-28 and vol. 7 (September 1940) p. 385 (erratum); "The Myth of Is and Ought," in *Harvard Law Review*, vol. 54 (March 1941) pp. 811-31; "The Impossible in Political and Legal Philosophy," in *California Law Review*, vol. 29 (March 1941) pp. 312-31. On the higher-level relativists, see especially the first article, pp. 61, 62; the second, p. 402; the third, p. 223; the fourth, p. 824; and the fifth, pp. 313, 325.

²See Francis Wilson, "The Work of the Political Theory Panel," in *American Political Science Review*, vol. 38 (August 1944) pp. 726-33. On religiously founded political theory, see "The Search for Absolutes . . ." (cited above) p. 219, and especially Jacques Maritain, *Scholasticism and Politics* (New York 1940); also my review of the latter work in *American Political Science Review*, vol. 35 (June 1941) p. 545.

looks in vain for discussions of relativism and of the arguments of the higher-level relativists.

As a result, when the Hitler menace swept the world, secular political theory offered no comfort in answer to the question whether Hitlerism was just another political alternative or whether it was basically wrong and evil. In my opinion, this negative position of political theory was not entirely necessary,³ and apparently many of my colleagues felt similarly, because few were willing to declare openly that their science was impotent to contribute to the fundamental question. This evasion only made things worse for theory.

The situation was similar with regard to political and legal positivism—the elder sister, and *lex-lata* variety, of relativism. Although the orthodox doctrine of sovereignty has been generally criticized by political theory during the last fifty years, its pet child, legal positivism, has been accepted by secular theory almost everywhere in the western world.⁴ This led to the failure of political theory to cope with the fact that, under positivism, German, Italian, Spanish, Japanese and Vichyite judges and civil servants were entitled, even bound, to apply the meanest laws handed down to them, and to accept abolition of the independence of the judiciary or the elimination of judges from vital jurisdictions.

Similar charges against political theory can be made regarding numerous more specific questions, some of which will be treated

³ See the articles cited in note 1, especially the first, pp. 73 ff.; the third, pp. 209 ff.; the fourth, p. 830; and the fifth, pp. 323 ff., 331. The prevailing methodological confusion is well illustrated by the controversy on the place of values in political science that has been flaring up in the *American Political Science Review* in reaction to William F. White's behaviorist and value-free article "A Challenge to Political Scientists" (vol. 37, August 1943, pp. 792-97); see John H. Hallowell, "Politics and Ethics" (vol. 38, August 1944, pp. 639-55), and Gabriel A. Almond, Lewis A. Dexter, White and Hallowell, "Politics and Ethics—A Symposium" (vol. 40, April 1946, pp. 283-312), with a reference to Max Weber in Almond's contribution (p. 293). See also Wilbur M. Urban, "Axiology," in D. D. Runes, ed., *Twentieth Century Philosophy* (New York 1943) pp. 51-74.

⁴ See my article, "Sovereignty," in Hans Speier and Alfred Kähler, eds., *War in Our Time* (New York 1939) pp. 58, 68.

in this article, including a particularly vicious special case of positivism. Discussion will be limited to those aspects for the analysis of which political theory is primarily responsible, while those for which primary or joint responsibility lies with economics, sociology, history and other branches of the social sciences will be kept "bracketed," to use a phenomenological term; their existence and importance are acknowledged, of course, but they are not dealt with here.

Several of the questions under consideration have no immediate bearing on domestic issues in the United States, where democracy continues to operate under extremely favorable conditions, but all have significance for a number of other countries, and political theory must not rest content with the almost abnormally fortunate conditions here. This would be the less permissible now, because the United States government has become involved in the problems of many other nations, and in the affairs of the globe as a whole.

On the Semantics of Democracy

Opportunism has so debased thinking about democracy that it has become customary, since the defeat of the Axis, to call all the remaining governments of the world democratic, granting those of Spain and Argentina as almost the only exceptions. The need for polite speech may constitute an excuse for practical politicians—a poor excuse, though, and a questionable practice. But what excuse is there for the acquiescence of theorists, whose speech is neither polite nor impolite but either true or false?

This is not a question of definition only. It is a test of sincerity, integrity and consistency of thinking. As to definition, theorists have been candid enough to admit that democracy has two aspects—ends and means, or substance and form, or ideals and institutions—and that western democracies, cultivating the institutional aspects, are still far from achieving all democratic goals, especially genuine equality of opportunity, or substantial equality, if that is deemed one of the democratic goals, a moot question in itself.

The Soviet Union, on the other hand, although palpably neglecting democratic institutions, seems to have come considerably closer to substantial equality, if on a very low level. At the same time, she has abandoned extreme equalitarianism in practice and theory,⁵ and even equality of opportunity is still more of an ideal than a practical achievement.⁶

It has been argued that we might well call both forms of government democratic, trusting that each will progress regarding those aspects in which it is lagging. Indeed, one might go further and call any government democratic that professes openly and loudly to democratic ideals, irrespective of whether its means or institutions are democratic. Then the miracle would have come to pass—nothing but democracies everywhere, the despicable name of non-democratic government being reserved for the few fools or criminals who are stupid or brutal enough to neglect trimming up their proclaimed ideals.

This is indeed the state of affairs. Theory, confronted with this situation, can do one of several things. It can insist that the name

⁵ As early as 1934 Stalin remarked at the 17th Congress of the Communist party: "To conclude that socialism demands equality and levelling of members of society, levelling of their tastes and personal lives; to conclude that according to Marxism everyone must walk in the same type of suit, eat the same dishes and the same amount of food—that is to talk rubbish and slander Marxism"—quoted by W. H. Chamberlin, *The Russian Enigma* (New York 1943) p. 98. On the frank confession to inequalities of reward in the Soviet Constitution of 1936 see my paper, "The New Russian Constitution," in *Social Research*, vol. 4 (May 1937) pp. 157, 168, 170. It has been estimated that in prewar Russia the range of variation in money incomes derived from wages and fees was from 1 to 50. Private property is recognized in consumer goods and in small houses (in Moscow up to five apartments); and also in small industries (with fewer than 5 to 10 workmen). There are 3 percent and 4 percent government bonds, exempt from inheritance tax; lottery bonds with tax-free gains up to 3,000 rubles per 100, and in a recently announced loan even 50,000 per 100; deposits in state savings banks, exempt from inheritance tax; royalty payments for literary, artistic and scientific production, including photography, to some extent exempt from income tax; and there is inheritance of all private property and private rights in family lines. See John N. Hazard, "Soviet Property Law," in *Cornell Law Quarterly*, vol. 30 (June 1945) pp. 466-87.

⁶ See Gregory Bienstock, Solomon M. Schwarz and Aaron Yugow, *Management in Russian Industry and Agriculture*, published under the auspices of the Institute of World Affairs (New York 1944).

of democracy be reserved, in line with its modern history, for those countries where the governments are formed through free elections with full freedom for different parties to propose candidates and programs and to campaign for them, and where both the legislative and the executive branches depend on such elections. In that case, Soviet Russia would not be a democracy. Or theory can modify or qualify this conception by distinguishing, for example, between "limited" and "non-limited" democracies, according to whether majority rule is or is not subject to constitutional limitations; or between "perfect" and "imperfect" democracies, according to whether the goals or ideals have or have not been reached. Then all democracies would be more or less "imperfect," but the Soviet Union would still be no democracy, neither a limited nor a non-limited, neither a perfect nor an imperfect one. Or, finally, theory can accept the muddy extension of the name democracy to include all victor nations in the last war, and then use another vocabulary to describe the differences, speaking, for example, of "inclusive" democracy for the western type and of "exclusive" democracy for the Russian, or of "multi-party" and "one-party" democracy, respectively, or of "genuine" and "pseudo" democracy, though the last term might be objected to in purely scholarly discussions as being militant and implying a value judgment.⁷

Lenin made a distinction between "capitalistic" and "proletarian" democracy.⁷ If these terms were to apply according to whether the majority of a freely elected legislature decided in favor of a capitalistic or a socialistic economy they might be considered acceptable for theory. But Lenin's use of the terms was a far cry from this. He loaded them with the meaning—paradoxical to the western mind—that proletarian democracy is dictatorship of the proletariat, achievable only by violent revolution, and that it must remain dictatorship until, in the distant future, all three—state, democracy and dictatorship—wither away simul-

⁷ Lenin, *State and Revolution*, International Publishers, Marxist Library, vol. 8 (New York 1932) p. 37.

tan
is
pro
Len
bel
cap
the
pro
of n
N
the
mea
lies
dem
and
the
auth
in
Pros
A
racy
for t
larie
that
O
of cl

8 For
on No
9 Stal
electio
there
in the
defend
Januar
above,
of the
presen
Union

taneously. This equation with dictatorship is not expressed, but is rather misleadingly concealed, in his terms. Furthermore, if proletarian democracy is interpreted in this (revolutionary) sense, Lenin's terminology begs the decisive question, to be discussed below, whether democracy based on free elections is necessarily capitalistic or whether it may be made socialistic by the will of the majority, without violent revolution and dictatorship of the proletariat. This question cannot be decided a priori by the use of mere terms.

Nor is the term "Soviet democracy," now frequently used in the Soviet Union,⁸ recommendable for political theory. Soviet means "council," while the difference between the two systems lies not in the fact that the Soviet Union has councils—the western democracies have councils, too—but in the way they are elected and function, especially in the exclusion of all but one party from the development of political leadership; in the Soviet Union's authoritarian direction of public opinion and of the press; and in the sweeping powers which the Soviet system gives the Prosecutor.⁹

Although it cannot be ignored that the use of the term "democracy" constitutes an asset in practical politics, what really matters for theory is not so much the choice between alternative vocabularies as that the terms chosen be sincere and not misleading, and that they be used consistently.

Our loose theoretical speech about democracy is badly in need of clarity, sincerity and consistency with regard not only to Soviet

⁸ For example, Foreign Commissar Molotoff in his Moscow address to the people on November 6, 1945, quoted in *New York Times*, November 7.

⁹ Stalin is quoted by the Soviet press as having said as recently as in the 1946 election campaign for the Supreme Soviet of the Soviet Union: "In the U.S.S.R. there is soil for only one party, the Communist Party. Only one party can exist in the U.S.S.R.—the party of the Communists who fearlessly to the ultimate end defend the interests of the working people and the peasants" (*New York Times*, January 13, 1946). See also my article, "The New Russian Constitution" (cited above, note 5) which, except for a remark (p. 161) regarding the indirect election of the Council of Nationalities, originally planned but later abandoned, still presents a correct picture of the similarities and differences between the Soviet Union and democratic systems, as seen by a political scientist.

Russia, Poland, southeastern European countries, and China, but to western countries as well, including the United States and Great Britain. If we continue to call democratic only that government which is, first of all, a government *by* the people—that is, by the *governed* people—we should stick to it. Under that definition, white people in the United States may properly be said to live under a democratic government (however imperfect in its achievement), but it should be frankly admitted that Negroes do not, at least in the South. They do not, for that matter, live under a fascist or totalitarian government. Fortunately, the situation is not that bad. The Negro's government, although not a government of his own choosing, is "constitutionally limited" even with regard to him; it is controlled, not by him, but by the great masses of the people and by public opinion, and it is subject to very important constitutional limitations even in its actions against Negroes, and to judicial control. But it is, for the Negro, no democracy. This fact should be readily admitted, and the treatment of the Negro should be discussed on the basis of this admission.

By the same token, we should refrain from applying the name of democracy—once we have chosen to use it in the Lincolnian sense—to countries that are governed not by their own people but in some essential respects by other peoples. Thus colonies and mandated territories, by our definition, are not democracies, although they may have many progressive institutions based on democratic patterns and perhaps designed to prepare them for becoming democracies. Similarly, Germany and Japan will not be made democracies by the introduction of free elections and of other democratic institutions. They are, and for a long time to come will be, governed in important respects by peoples other than their own. In describing their new status as democratic we do injustice to the name of democracy. Democracy in the western sense is a form of government for free and upright people, who take pride in governing themselves, and who *do* govern themselves. Their pride becomes wrong and ridiculous if in actual

fact they are governed by others while they strut as if they were free. And, as Germany experienced, nothing is more fatal to democracy than ridicule.

This is not to say that Germany and Japan will be under an uncontrolled despotic rule. Foreign rule over them will be exercised, in so far as the western Allies are concerned, by governments that are controlled by *their* peoples and are subject to control by public opinion and by parliamentary discussion, and even to some institutional limitations. In other words, there will be some constitutional control, and this control may become increasingly important, as debates in the House of Commons on the state of Germany have already indicated. Indeed, all Americans, just as all Britons and Frenchmen, should realize that their control of their own governments has become the only constitutional check on misgovernment in Germany and Japan, and that therefore responsibility for the government of Germany and Japan has become *their* responsibility, exactly in the same sense that any misgovernment in India has been the responsibility of the British people during the last century.

Let us reserve the name of democracy for free people. If a wider use of the term cannot be checked, Americans should insist on defining both "exclusive" and "unfree" democracies as pseudo-democracies and distinguishing them from genuine democracy, which is "inclusive" and "free."

Democracy should not, of course, be confused with sovereignty. Not every state that abandons its sovereignty, or every people that submits to international treaties or supranational organization, ceases to be democratically governed. If those who join a higher body share the federal or supranational power on equal terms (according to some reasonable yardstick—I cannot go into this problem here) they may continue to govern themselves, as do the people in the states of this country. Things are different, however, if their status in the supranational organization is inferior.

In this light it would appear that the privileges of the Big Five in the United Nations involve a fundamental question not only

of international organization and sovereignty but also of democracy; political theory is obliged to examine whether people in the smaller nations still govern themselves, in view of the fact that strong measures against them can be taken without their sharing equally in the decision. The question can be answered in the affirmative only on the grounds that, and to the extent that, these people have entered the United Nations voluntarily, and only so long as they basically adhere to this decision and the principles of the organization are fairly implemented in accordance with the expectations underlying the agreement.

No indissoluble union is democratic unless the peoples of all the participating units have equal rights in the sense just indicated. Otherwise those with lesser rights, if they no longer agree to be members and are prevented from withdrawing, would cease to govern themselves. There is no means of escape from this inference.

Impossibilities, Real and Imagined

Whatever terms and definitions are used to distinguish the various systems of modern government, political theory should concentrate on describing and analyzing similarities and differences, and should make clear what the differences mean for the various ideals. Theory, in other words, should doggedly investigate what is possible, probable, improbable or impossible of achievement by the methods used in the different countries. Systematic investigations of this character would lend particular importance to the category of the impossible, because a demonstration of impossibility in the means-ends relationship not only refutes contradictory claims but offers the only way to dispose of a means-ends proposition without engaging in value judgments.¹⁰ For example, a scientific demon-

¹⁰ On the significance of the category of impossibility for the social sciences, and on the literature, see "The Impossible in Political and Legal Philosophy" (cited above, note 1). The term "impossible" is used with regard to the historical stand of scientific (physical, chemical, biological, psychological, and the like) knowledge, and with regard to logical incompatibility. It is meant to include "implied evils" and "implied risks," that is, evils or risks which it is impossible to avoid.

stration that the continuous suppression of all but one political party is incompatible (impossible to combine) with political freedom and equality would refute the claim that such freedom and equality have been established by this means.

Thus it should be possible by now to establish in definite terms that under any enduring dictatorial system it is impossible to prevent systematic abuse of power from flourishing in most abominable forms, unless certain democratic features, such as independent courts, habeas corpus (or its equivalent) and freedom of the press, are introduced. Even if the top political leaders were saints—a situation that is rare at best, and is in any case impossible to insure—without such institutions, systematic abuse of power by their underlings could not be prevented, because of the limited span of control of which human beings are capable according to biological laws. It is not physically possible for any man to watch, personally, the welfare of millions of individuals; therefore underlings may commit, in their own area (which may be a concentration camp), barbaric acts of which the possible saint or saints at the top have no knowledge. No institution has yet been invented to prevent such abuse from spreading other than courts independent of the executive and directly accessible to all, habeas corpus, and freedom of the press. So far as we are able to determine, these institutions do not exist in Soviet Russia, or they do not exist to an extent that would make them reliable controls of systematic abuses.

It is characteristic that most or all of the defendants in the Nuremberg trials, although top leaders of the Nazi regime, based their defense on the assertion, first, that it was impossible for them to prevent the torture, starvation, gassing and slaughter of millions of human beings, and second, that they had either no knowledge or only partial knowledge of what was happening. This confession of ignorance, in so far as it is true, is an even more devastating condemnation of the very principle of the dictatorial system than a confession of personal participation in individual crimes could have been.

But this particular weakness is not limited to the fascist type of dictatorship; it is inherent in any system that lacks independent controls. In Russia, according to the official version of the story revealed in the purge trials of 1938, Henrich Yagoda, chief of police and one of the highest Soviet officers, confessed to having committed the most abominable acts of murder, including the assassination of Maxim Gorki through the latter's physician, who had been terrorized into submission and prevented from making any appeal to Stalin.¹¹

Experience with occupation armies, especially where free investigations by the press or other outsiders are barred, only tends to corroborate the thesis that it is impossible to check abuses of power merely from within a hierarchical machine. Complaints "through channels" are not always possible, nor are they sure to reach the leaders when the underlings themselves are involved.¹²

But Soviet theorists, too, have used the category of impossibility in their discussion of the democratic problem. Beginning with Lenin, they have always asserted that it is impossible for western democratic institutions—at least during a long transitional period—to meet the necessities of a socialist economy or of overall planning. Soviet theorists do not stand alone in this criticism of democracy. Right-wing liberal opponents of socialism, like

¹¹ *New York Times*, March 6, 9 and 10, 1938.

¹² The difficulty of keeping top leaders informed of certain types of unpleasant occurrences merely "through channels" is illustrated by the following remark of a well-known American journalist: "This correspondent knows of instances during the war in which soldiers' letters of complaints to the War Department, addressed as legally required through official channels, were never forwarded and the senders were threatened with punitive measures" (Hanson W. Baldwin in *New York Times*, January 20, 1946). If this can happen in the world's most liberal army—exposed to public criticism by a free press, as the report shows—what are the chances that a conquered people, confronted with a dictatorial system unchallenged by free public criticism, can bring their complaints of plunder, rape, or even murder before the leaders "through channels"? Stalin knows what Germans did in the Soviet Union, but does he know equally well what Soviet soldiers have done in Germany? Do even the commanding generals know the full story? Is it possible for them to know it?

Friedrich Hayek, agree with them on this count. They predict that socialism will inevitably lead to the abolition of democratic liberties, in other words, that it will be impossible to avoid this. Political theory is proving slow to meet and deal with these challenges.

A few quotations (*italics mine*) will illustrate how great a role the claim of impossibility plays in this context. According to Lenin: ¹³ "The liberation of the oppressed class is *impossible* not only without a violent revolution, but also without the destruction of the apparatus of state power, which was created by the ruling class" (p. 9). He calls this a "theoretically self-evident conclusion" (p. 10). "The bourgeois state *can only* be put an end to by a revolution" (p. 17). Then, quoting from Marx: "Class struggle *necessarily* leads to the dictatorship of the proletariat," and "the working class *cannot* simply lay hold of the ready-made state machinery and wield it for its own purposes" (p. 31).

Hayek, in his turn, makes it one of his main points against centralized economic planning that frequently there will be no majority able to agree on the ends of a plan (pp. 64 ff.). In this case, he says, a democratic parliament "*cannot direct.*" "In a society which for its functioning depends on central planning . . . control *cannot* be made dependent on a majority's being able to agree; it will often be *necessary* that the will of a small minority be imposed upon the people, because this minority will be the largest group able to agree among themselves on the question at issue" (p. 69). "If 'capitalism' means . . . a competitive system based on free disposal over private property, it is . . . important to realize that *only* within this system is democracy *possible*. When it becomes dominated by a collectivist creed, democracy will *inevitably* destroy itself. . . . Planning *leads to dictatorship*,

¹³ Lenin, *op. cit.* (note 7). See also Francis W. Coker, *Recent Political Thought* (New York 1934): "It is chiefly in this emphasis upon the impossibility of a free and democratic socialistic government . . . that the Russian Communists may be said to differ from the orthodox Marxians in the Western states" (p. 183). This volume also contains his excellent survey, "Impossibility of Democracy," dealing with Pareto, Michels and Spengler (pp. 328 ff.).

because dictatorship is . . . essential if central planning on a large scale is to be *possible*" (p. 70).¹⁴

These contentions of impossibility are, in my opinion, only half-truths, but it is important to clarify exactly how far they are true and how far they are not true. Theory could have opposed to the double-edged Lenin-Hayek thesis the counterthesis that it is possible to carry through socialism either of any kind or of certain kinds—stating clearly what kinds—under a system of free elections, free speech, freedom of the press, and the like; or theory could have devised institutional changes in the democratic system to adapt democracy to socialist aims without going the whole length of the Soviet way. Many of us political scientists actually do believe that it is not necessary to go that or any other totalitarian way if a majority is bent on carrying through socialism—even all-out socialism, Russian brand, if the majority should really desire it—although certain modifications of democratic institutions may become necessary in economic administration. But political theory has certainly not yet offered a satisfactory "body of knowledge" in this respect. While economists have been diligent in dealing with the economic issues involved, and while some of us have discussed the political problems orally at considerable length, our written remarks do not furnish this desirable body of knowledge. Much remains to be done.¹⁵

¹⁴ Friedrich A. Hayek, *The Road to Serfdom* (Chicago 1944). Also: "Formal equality before the law is . . . *incompatible* with an activity of the government deliberately aiming at material or substantive equality of different people . . . any policy aiming directly at a substantive ideal of distributive justice *must* lead to the destruction of the Rule of Law. To produce the same result for different people, it is necessary to treat them differently" (p. 79). Further, ". . . socialism *can* be put into practice *only* by methods [dictatorship] which most socialists disapprove" (p. 137). What socialism? That is the question. See finally the bold statement: "Both competition and central direction become poor and inefficient tools if they are incomplete; they are alternative principles used to solve the same problem, and a mixture of the two means that *neither will really work* and that the result *will* be worse than if either system had been consistently relied upon" (p. 42).

¹⁵ Herman Finer's *Road to Reaction* (New York 1945) presents a political scientist's analysis of the Hayek version of the impossibility thesis. It performs admirably the critical part of the task, in so far as it shows convincingly and with rich documenta-

To evade the issue by simply expressing one's dislike of socialism, as is often done, means the failure of political theory to perform one of its essential functions—that of anticipating, and preparing for, any contingency, including the situation in which a majority is determined to establish a socialist economy by democratic means. In view of the Labor party majority in Great Britain and of socialist majorities in a number of other countries this has certainly ceased to be a remote and utopian possibility.

There is real danger that in a critical situation the masses will abandon democracy in favor of a socialist dictatorship, unless they are confident that it is possible to establish socialism through democratic means, and the institutional devices to make democratic socialism workable have been prepared in advance. Though this threat of dictatorship may seem remote in Great Britain and the United States, where even among the masses the will to democracy is still stronger than that to socialism, it is imminent in countries with less stability in democratic experience and a more acute urge toward socialism.

Establishment of a well-considered political theory regarding the compatibility of socialism and western democratic institutions would also offer encouragement to whatever tendencies there may be in Russia toward the introduction of more democratic

tion—though at times in a rather personal form of polemics—that Hayek's arguments against the possibility of democratic planning are not conclusive in the generalized form in which they are presented. It is particularly effective in its refutation of Hayek's contention that competition and central direction are alternative principles that will not mix in practice. But *Finer*, in pursuance of his critical goal, does not pause to single out the true elements (whether core or fringe) in Hayek's arguments. Assuming that democratic planning will always keep within reasonable bounds and will never be all-comprehensive, he does not discuss all-out socialistic planning as it is practiced in Russia; whether such planning could be done democratically remains, therefore, an open question between him and Hayek (and Lenin). To my mind, Hayek is an honest and a sincere scholar, and his challenging book is therefore a worthy target which can be helpful—as *Finer's* book demonstrates—in the dialectic process of developing better political theory. But the practice-shooting should be done more widely and with ever-increasing accuracy. Wheat and chaff should be separated.

institutions. And it would make possible a stronger and more precise language in international political discussions, especially with reference to the governments to be formed in smaller countries.

Among nations that are determined to live as friends, such theoretical discussions should go on without political hesitancy. Nothing would be more detrimental to plans for enduring friendship than the abandonment of objective and scholarly discussions regarding vital social problems.

Undemocratic Majorities

Western political theory, while bravely hammering into western minds the democratic doctrine of free elections and majority rule, has taken little care to follow this doctrine through to the logical possibility that the majority, though elected freely, will be undemocratic—not only in the sense of being hostile to certain individual liberties (illiberal) but also in that of being hostile to the very principle of majority rule and its institutional guarantees. Must adherents of democracy submit to the majority even in such a contingency? If not, what are they advised to do? Contemporary theory, at least in its currently popular forms, does not say. Although intellectual unpreparedness regarding these questions has already led to devastating results, theory continues to neglect them. To this day the generally accepted doctrine is that, except for the sphere of constitutionally guaranteed rights, democracy means majority rule. The majority formula has become so closely identified with the democratic creed that western democrats have grown blind to the problem.¹⁶

¹⁶ There are notable exceptions. See, for example, C. J. Friedrich, *Constitutional Government and Democracy* (Boston 1941) pp. 139, 143 ff., concluding with the remark that "a welter of more or less detailed questions and facts present themselves with which we have not yet effectively coped." And there is, of course, Rousseau's cryptic statement, which might form the motto of this section: "This presupposes, indeed, that all the qualities of the general will reside in the majority: when they cease to do so, whatever side a man may take, liberty is no longer possible" (*Social Contract*, trans. by G. D. H. Cole, London 1913, Book IV, Chapter II; also Book II, Chapter III). Some modern writers, like Ernest Barker (*Reflec*

It must be well understood at the outset that a bill of rights does not bar a majority from destroying democracy. No bill of rights prevents an antidemocratic majority from legislating methodically to the advantage of some and to the disadvantage of others; from filling public offices with enemies of democracy, who plainly favor other enemies at the expense of democracy's friends; from turning justice into the handmaiden of an anti-democratic executive; and from spending public monies, duly appropriated by the majority, for antidemocratic purposes. Least of all does a bill of rights hinder antidemocratic majorities from taking over all positions of power, in order that in due time they may be able to do away with the bill of rights altogether.

Even majorities willing to respect individual rights and free elections may be undemocratic, if they work in favor of a system under which popular control is limited to legislation and financial measures while executive officers are appointed by a hereditary monarch, without popular control. Constitutional monarchies of this character are not democracies.

The main illustration of a discrepancy between the will of the majority and basic principles of democracy as conceived by westerners seems to be Soviet Russia. Actually we do not yet know for certain, however, whether the majority of the Russian people, if free elections were held, would be hostile to democratic principles. Free elections, with freedom of programs and candidates, of speech, of the press, of association and assembly, have not yet taken place in Russia. Those in favor of democratic principles are not free to fight for them. Democratic theory, therefore, has been able to offer some excuse for withdrawing from the Russian question, by asserting that the Soviet Union simply is not a democracy in the western sense. True, this excuse is rather feeble, because theory might have asked what would happen *if* free elec-

tions on Government, London and New York 1942. pp. 35, 65 ff.), insist that discussion and compromise are essential elements of democratic majority rule, but they have, of course, stopped short of drawing the conclusion that the minority should be permitted to disobey a law that was not a compromise.

tions were introduced and the majority, though freely elected, nevertheless remained hostile to certain democratic principles and liberties. But the question remains hypothetical, with little chance of becoming a practical problem in the near future, since free elections are not yet in prospect. There is no indication that a second, a third and a fourth party could be formed in Soviet Russia and could campaign for a basic change of policy. Thus we do not know for certain whether such elections would result in democratic or undemocratic majorities.

In Germany, however, the course of events did lead to precisely this situation of free democratic elections producing antidemocratic majorities. This was the result of the elections not only in 1932, at the end of the democratic period, but even as early as 1920, almost at its beginning, and consistently thereafter. Historians have given little recognition to this fact, and political theory has left it neglected and unanalyzed.

It may be useful to recall briefly what actually happened. When Friedrich Ebert found himself at the helm of Germany in November 1918, he had great faith in western democratic methods, which, for him, as for Americans today, implied majority rule. It was because of his democratic convictions (western style) that he waived his great opportunity to implement his socialist ideals by dictatorial methods (Russian style) and that he led the Germans to early general elections. He wanted the majority of all the people, not only the socialists, to make the decisions concerning Germany's fate.

But who constituted the majority? The socialists, although very strong, had no majority. Ebert was prepared to accept this fact. But the situation proved more serious than that. Free elections from May 1920 to the end of the republican period showed that the majority of the German people were not even democratic. True, the three democratic parties (Social Democrats, Democrats and Catholic Center) who attained a majority in 1919, continued to be a very considerable minority, winning *almost* half of the Reichstag seats (in 1928 they lacked only seven

of b
19

In
cabi
tole
ingl
auth
ther
with

192

W
not
of g
enco
were
min
num
cour
or a
sider
gove
Ger
cour
few
the

1932
crats
dem
the p

17 O
Repu
obtain
Feder
Worl
conclu
books

of being a majority). But they never regained the majority after 1919.

In these circumstances, under the democratic rules of the game, cabinets composed of adherents of democracy had to fall; or, if tolerated as minority cabinets, they were doomed to be exceedingly weak; or they had to join forces with parties advocating authoritarian methods by entering coalition cabinets, which were then unable to carry through militantly democratic measures without breaking down. This is exactly what happened from 1920 until the end of the republic.¹⁷

What did western theory do in the face of this situation? It did not warn Ebert (as the communists did) against using the method of general elections when he resorted to it; on the contrary, it encouraged and praised him. When non-democratic majorities were being returned, western critics blamed the democratic minority for not being a majority. To regret the inadequate numerical strength of the democrats was wholly justified, of course, from the democratic viewpoint, but it was little comfort or assistance given by theory to the democratic minority—a considerable minority—which needed advice regarding the art of government. When it came to that, political scientists advised the German cabinets to conduct an active democratic policy. This counsel would have been entirely appropriate during the first few months, when the democratic parties had a majority, but for the period in question—the long twelve years between 1920 and 1932—such advice was inadequate. Theory failed to tell the democrats in German cabinets how they *could* be militant under the democratic rules of the game. To this day theorists have ignored the problem.

¹⁷ On the historical facts see my book, *Prelude to Silence—The End of the German Republic* (New York 1944) pp. 7 ff. and 128 ff.; on the different situations that obtained in certain sections of Germany and in Prussia as a whole see my *Federalism and Regionalism in Germany—The Division of Prussia*, Institute of World Affairs (New York 1945) pp. 6, 19 ff., 31 ff. The present article offers conclusions to be drawn by political theory from the facts established in these two books.

The foregoing account is no exaggeration; it is, rather, an understatement. Hundreds of times it has been stated that it was the obvious duty of the German democrats to replace more generals and civil servants with confirmed democrats; blame has been heaped on the democratic parties for not having taken this course. But rarely has consideration been given the fact that after May 1920 every federal cabinet was certain to be overthrown, sooner or later, if for political reasons it substituted a democrat for any significant rightist public employee—except on the basis of a bargain with the opposition parties.

While continental Europeans, haunted by memories of local history, often tend to underrate the great constructive powers of which truly democratic majorities are capable, Anglo-Americans, in turn, spoiled by the favorable political climate of their countries, easily succumb to the belief that majorities are always democratic.¹⁸ This assumption, alas, is unrealistic. Totalitarian countries, lacking freedom of electoral campaigns, may constitute no conclusive proof to the contrary, and for the same reason the Napoleonic plebiscites may be an equally debatable instance. But it cannot be doubted that long before the 1920's, in constitutional monarchies where people enjoyed progress and prosperity under popular rulers, constitutional monarchy was sincerely backed by a majority of the people for considerable periods. And it was this alternative to democracy, rather than totalitarianism, that threatened Germany democracy from the right during the 1920's.

The new factor in the situation, then, was not that there was an undemocratic majority, but that it emerged under a demo-

¹⁸ Finer, for example, expresses in strong words an unconditional belief in the majority: "For in a democracy right is what the majority makes it to be. . . . There is nothing for it: the majority will have its way. It is inside the majority that the Rule of Law rightly operates. Nowhere else can trust and hope reside in these centuries of high democratic consciousness" (*op. cit.*, note 15, p. 60); and ". . . only that emerges from the majority which the majority can thereafter operate" (p. 62). Also, "The majority will not be oppressive to large minorities. . . . While there is free discussion and the organization of parties is continuous and alive demagogues cannot gain a majority" (p. 209); ". . . we may have a sober confidence that it [majority rule] will continue to develop freedom" (p. 210).

crati
majo
1848
entir
whic
Un
exclu
of a
mino
to th
toget
in G
tions
demo
elect
siste
archi
stron
elect
the c
at le
along
woul
faile
west
leani

19 In
Weim
munis
225, 2
of 192
Wilhe
Thäl
Weim
and e
righti
and S

cratic constitution. Even this was not quite new, as monarchical majorities with undemocratic leanings existed in France after 1848 and under the provisional constitution of 1871. What was entirely new, however, was the following specific complication, which presented political theory with an additional problem.

Undemocratic majorities may consist exclusively of rightists or exclusively of leftists. But also they may constitute the two wings of a wing-heavy triptych, where a considerable democratic minority is flanked by antidemocratic groups to the right and to the left, which separately are only minorities themselves but together form the majority. It was this latter type that developed in Germany in the 1920's, and it is this one that postwar conditions threaten today to produce in various countries. The undemocratic majority in Germany, through the last free pre-Hitler elections in November 1932, was not purely reactionary: it consisted of rightist antidemocrats (totalitarians, constitutional monarchists and the like), plus communists. The rightists alone were strong, but they were only a minority. Prior to the terrorist elections of March 1933 they were always weaker in number than the democrats (Weimar Coalition) and communists together, and at least until 1930 they were weaker than even the democrats alone.¹⁹ Had the communists swung into line, the democrats would have had the majority all the time. But the communists failed to do that. They insisted on proletarian dictatorship, and western political theory applauded the democratic parties for not leaning on the communists in these circumstances.

¹⁹ In the elections of December 1924 the democratic parties of the so-called Weimar Coalition won 232 seats, the parties to their right, 216, and the communists, 45. In 1928 the corresponding figures were 240, 197 and 54; in 1930, 225, 275 and 77; in November 1932, 193, 291 and 100. The presidential elections of 1925 only confirmed this triptych picture, giving Hindenburg 14,656,000 votes, Wilhelm Marx, the candidate of the Weimar Coalition parties, 13,752,000, and Thälmann, communist candidate, 1,931,000. The parties to the right of the Weimar Coalition were not all Nazis or German Nationalists. In 1928 only 85, and even in 1930 no more than 148, belonged to these two parties; the other rightists represented more moderate groups, including the Bavarian People's party and Stresemann's German People's party.

What, then, is a strong democratic minority advised to do when confronted with undemocratic minorities to the left and to the right, which together constitute a majority? Under such conditions authoritarian rule is inevitable unless the communists or the rightists submit in good faith to democratic procedure. Is it necessary to leave such rule to antidemocrats? Or would it not be better, before the antidemocratic minorities are able to carry through their plans, for the men who cherish democratic ideals to assume authoritarian government themselves?

This is by no means merely a tactical question outside the proper sphere of political theory. The theoretical issue involved, in every case of undemocratic majorities, is the right of such a majority to be obeyed. In regard to the triptych arrangement the theoretical question is more pointed, because here the groups comprising the majority are united only by the negative determination to oust democratically-minded men from government and to destroy democratic principles.

Even now, twenty-five years after the emergence of undemocratic majorities under the Weimar constitution, political theory still evades the issue. And yet this problem is no longer only a historical German affair. Whether it will resurge in Germany, we do not yet know. But we do know that it threatens to materialize in several other countries, especially in southeastern Europe.

It has been my purpose here to point to a failure of theory rather than to propose a solution. I will at least indicate, however, where I would look for one, though the suggestions I make need broader elaboration than can be offered within the limits of this article.

We must, I believe, modify the inarticulate doctrine of majority rule. In matters that are not in conflict with fundamental democratic principles majority rule should, of course, apply in democracies; adherents of democracy should readily join forces with other political groups, even if they are undemocratic, in order to win majorities. But in matters of fundamental democratic principle—especially the freedom of prodemocratic forces to

exp
inde
to s
is in
hold
assu
dem
Alth
situ
dem

In
ever
limi
to u
enor
anti
met
gam

A
in P
onic
in fa
only
subs
dem
It is
crati
ques
in th

Poli
writ
and
by s

express their true will in elections, and questions regarding the independence of justice—they ought not to be told that they have to submit meekly to hostile majorities. If the authoritarian rule is inevitable, because the advocates of undemocratic principles hold majorities, then the adherents of democracy should seek to assume that kind of rule themselves instead of leaving it to anti-democrats merely because the latter have numerical superiority. Although majorities of a kind do, of course, exist even in such situations, there is—and theory should clearly recognize this—no democracy left, and therefore the rules of democracy do not apply.

In such a situation, adherents of democracy may, if necessary, even disfranchise opponents who would disfranchise them, or limit the rights of a popular assembly whose majority is eager to use these rights for the destruction of democracy. If not strong enough alone, they may—to do first things first—join forces with antidemocratic leftists, in order to crush fascists. But no arithmetical majority rule should be recognized as determining the game of politics in such fundamentally undemocratic situations.

A slightly different problem—which some fear to be developing in France today—is that of “floating,” “recessive,” or “chameleonic” majorities. This grave disease flourishes where majorities in favor of the democratic process, although available, can be had only in coalitions which differ from the coalitions available on substantial economic, social and political matters. This too demands a deeper theoretical analysis than it has found so far. It is related to, but not identical with, the problem of undemocratic majorities, which indeed, contains many such tangential questions. Of these only one, however, can be probed more deeply in this article.

Amendment-Proof Minimum Standards

Political theory has generally approved the practice of drawing written constitutions in such a way that changes remain possible and are legalized in advance if made by qualified majorities or by special procedures. Theory has done little, however, to cope

with the grave danger that may arise if this legitimate idea is pushed to the absurd extreme that *any* changes are declared legally binding in advance if achieved through qualified majorities or designated procedures.

The history of constitutions offers several instances where democratic legislatures have passed rash amendments which, in effect, authorized barbaric measures. The legislatures did not, of course, stipulate such measures, but they vested broad powers, including that of changing the constitution, in an individual. Adopted by the majorities and procedures required for amendments, such bills technically also transferred to one person the power of abrogating individual rights. This led to the fantastic result that, to cite only the most recent examples, Hitler in Germany and—according to many constitutional lawyers—also Pétain in France, or their underlings, could either commit or allow to be committed barbaric acts without technically violating the democratic constitution or the law of the land. Courts and civil servants, bound by oath to their country's constitution, were also under a solemn obligation to respect the constitutional procedure of amending it, and therefore, "faithful to their oath," they could consider themselves bound to carry through any orders authorized by such amendments. This special case of legal positivism—"constitutional positivism" one might call it—played a great and perhaps a decisive part in the early victory and persistent strength of Hitlerism and Vichyism.²⁰

What has prevailing theory done to avoid this inference? Practically nothing. True, theory has often hinted at situations where the people have the right, and even the obligation, to revolt. But such remarks have generally been limited to preconstitutional or unconstitutional despotism, and even if broadened to include "constitutional" misgovernment, they have not touched the core of the present problem: the fact that the typical wording of democratic constitutions, far from protecting the public against such

²⁰ See Brecht, *Prelude to Silence* (cited above, note 17) pp. 76 ff., 83 ff., 97 ff., 105 ff.; also on the general problem, Friedrich, *op. cit.* (note 16) pp. 145, 243 ff.

barbaric abuses, makes it the sworn duty of judges and civil servants to carry them through.

There were, and still are, several ways for theory to cope with this monstrous situation. One is to affirm that there is an unwritten higher law—be it divine or natural—which cannot be rendered inoperative by any kind of earthly legislation. But, with few exceptions, modern theory in the western world has turned away from this classical and medieval proposition. Theory has done so for a number of reasons—especially out of fear that judges ostensibly leaning on higher law might invalidate any progressive legislation they did not like. But in rejecting higher-law references theory has failed to cope with the other danger: that judges and public employees are technically bound by their country's constitution to apply barbaric measures if ordered or authorized by majorities acting within the frame of the constitution or of constitutional amendments.

Another way of meeting the problem is the one chosen by the United States, where the individual states are left free to change their own constitutions but are prevented by the federal constitution from abandoning the republican form of government, abrogating "due process of law," passing *ex post facto* laws, impairing the obligation of contracts, and legislating on matters regarding which the federal government has exclusive jurisdiction; and where the federal constitution itself is so difficult to change that amendments transferring to any one person dictatorial powers, including the power of changing the federal bill of rights or the limitations imposed on state legislation, cannot be rashly passed, even in an emergency. This, indeed, is a very good solution. If it were possible to form a United States of Europe or of Asia on the American pattern, with a continent-wide due-process clause for the protection of life and liberty (or rather its more precisely formulated equivalent, to be discussed below), with all courts in all member states authorized to apply this clause in any circumstances, and with a Supreme Court for final control—or if the United Nations could adopt such provisions on a global scale—

the problem would be much nearer solution. But unfortunately there is no indication yet that supranational institutions of this character will be established. Even such progressive plans as those offered by Quincy Wright and H. Lauterpacht do not go that far; they leave the remedy for domestic violations of the bill of rights exclusively to discretionary international intervention, subject to all the obstacles that clog the road to such intervention.

There was, however, and still is, one more way out of the specific difficulty with which we are here concerned. Political theory could say: "Let us fight positivism with its own weapon—positive law on the national level. Let us see to it that the national courts and public employees always find themselves functioning under the right sort of law in control of barbarism. To this end, let us advise all those who in the future draw democratic constitutions not only to insert some fine bill of rights in the text, but also to be more careful than in the past in formulating emergency powers and amendment clauses. Let us tell them to exclude certain minimum standards of justice and of respect for human dignity from the operation of emergency powers and from the effect of any amendment, however sweeping its terms. In other words, let us prepare a careful list of elements which in democratic bills of rights should be exempted from any change, either by legislation or by constitutional amendment, even in emergencies."

But political theory has generally failed to turn its attention to this urgent subject.²¹ Granted, there are hundreds of writers who preach that all constitutions should contain bills of rights, that the former enemy countries should be forced to incorporate them in their constitutions, that no nation without a bill of

²¹ Even H. Lauterpacht, in his otherwise praiseworthy book, *An International Bill of Rights of Man* (New York 1944), fails to discuss this problem; see my review in *American Political Science Review*, vol. 39 (December 1945) p. 1192. Nor does the January 1946 issue of the *Annals of the American Academy of Political and Social Sciences*, devoted to "Essential Human Rights," mention the problem in its twenty-six articles.

rights should be admitted to the United Nations organization, and that UN itself should have a bill of rights. But it seems that most of these writers have not come to understand the simple truth that the introduction of a bill of rights in a constitution that can be changed by qualified majorities leaves the problem exactly where it was.

At this stage of the discussion, laymen may want to say that the matter seems very easy: each individual constitution should contain a clause to the effect that the bill of rights cannot be changed at all. The problem is not so simple as that, however, and political theory as a whole cannot be charged with being that naive. All existing bills of rights themselves provide for the restriction of individual rights in emergencies, not only by constitutional amendment but even by simple legislation or merely by executive action.²² And actually, all western countries, at some time or other, in critical situations, have felt it necessary to restrict freedom of speech, press and assembly, and even such fundamental rights as that of any arrested person to be brought at once before an independent court that would have the power to set him free.

It would be more to the point to require that certain restrictions of rights, to become valid, must have the previous approval of some supranational body. But even in this case it would first be necessary to draw a list of those minimum standards that are to enjoy this increased protection.

I therefore challenge theory now at long last to go about the business of distilling a list of sacrosanct minimum standards out of the usual bill of rights, and to consider a clause to be added to national bills of rights to the effect that suspension of these sacrosanct minimum standards is declared, in advance, by the individual constitutions to be invalid, null and void in all circumstances. Tentatively speaking, the list should include the following: equality before the law; prohibition of retroactive criminal laws; independence of judges from the executive branch; the right of the accused to be confronted with available witnesses

²² See, for example, Lauterpacht, *op. cit.*

against him, to obtain available witnesses in his favor, and to have legal counsel; limitation of the period during which detentions in concentration camps, protective custody or the like are allowed to continue—even in emergencies—without criminal charges being made and duly prosecuted (except, perhaps, with the consent of a supranational body); prohibition of cruelties to interned persons; the right of appeal to some board or court, on the part of those who are subjected to political detention during emergencies; rules on adequate control and supervision of all places of detention, including the right of the courts to inspect them; freedom of worship; and the right to petition for redress of grievances.²³ The list might well include also a prohibition of discrimination by the government on religious or racial grounds, even if it should be politically necessary to permit exceptions in immigration laws and—because of the British Crown (Act of Settlement)—in laws establishing religious requirements for the chief of state.

If minimum standards were thus exempted from interference by any constitutional amendment, every judge and public employee would have the sworn duty to refuse obedience to any order that would violate these standards, instead of having the sworn duty to accept and carry through such orders, however grudgingly.

The United States and Great Britain may not be in need of sacrosanct minimum standards *for themselves*. But this fact should not blind us to such need in countries where the demo-

²³ These minimum standards were discussed in their international context with greater detail in a paper of mine which, although superseded in some other respects by later events of the war, continues to express my opinion regarding such standards: "European Federation—The Democratic Alternative," in *Harvard Law Review*, vol. 55 (February 1942) pp. 561 ff., especially pp. 577 ff. See further my subsequent articles, "Limited-Purpose Federations," in *Social Research*, vol. 10 (May 1934) pp. 135-52—also printed in Institute on World Organization, *Regionalism and World Organization*, ed. by B. Pickard (Washington 1944), under the title "Regionalism Within World Organization"—and "Distribution of Powers Between an International Government and the Governments of National States," in *American Political Science Review*, vol. 37 (October 1943) p. 862. All these papers discuss the problem of minimum standards from the supranational angle, while the present article treats the national constitutional problem involved.

cratic forces are working under less secure conditions in a different sociological atmosphere. Wherever the decision in the struggle between democratic and antidemocratic forces is in the balance—antidemocratic forces pressing hard, but democratic forces still retaining a hold on considerable numbers of the people—there such constitutional questions may decide the attitude of courts and public employees and, for good or evil, determine the issue of the fight.

The draft of the new French constitution, which was rejected by the French people on May 6, 1946, grappled with the problem, but did not solve it. True, some of the rights that were guaranteed in the first part of the draft were to be "emergency-proof," in the sense that short of an amendment they could not be curtailed.²⁴ The right "to settle any place and move freely" (Article V) was, however, expressly enumerated among those that could be suspended if, by a two-thirds majority of the legislature, "the republic is proclaimed in danger" (Articles XIX and CXVII). This left it possible to resort to protective custody and confinement in concentration camps; and in such an event no specific minimum standards of decent treatment were guaranteed, except for the general clause that was to outlaw cruelties—no right of appeal, no right of support by counsel and witnesses, no inspection of places of internment, and no maximum term of detention.

Not any minimum standards were made amendment-proof. Amendments were merely made more difficult to obtain than before: except in periods of occupation, when they were ruled

²⁴ These emergency-proof rights included several, though not all, of the minimum standards recommended above, and in my earlier writings, for exemption from any change: prohibition of retroactive criminal law (Article X); prohibition of cruelty ("moral pressure and physical brutality," Article IX); the right of petition (Article XV); freedom of conscience, including freedom of religious sects, and prohibition of discrimination on the ground of "origin, opinion or belief" in "religion, philosophical and political matters" (Article VIII). Emergency-proof protection was granted also to the right of association, and to the newly formulated right that "no one can be forced to join an association" (Article XVII)—rights which lose their meaning if one can be forced to join the inmates of a concentration camp.

out of order, it was required that three months pass between two readings of the resolution that declared an amendment necessary, and every amendment had to be submitted to a popular referendum before it could go into effect (Article CXIX). But this is not enough. Past experience, from Napoleon I to Hitler, is not reassuring regarding the effectiveness of plebiscites as a shield of freedom in times when the people are dominated by terror or blind enthusiasm or both. Once again a plebiscite, if held in a grave emergency and under terroristic propaganda, may give unlimited power by the amendment process to some "beloved leader" or, for a change, to some "vanguard party." It is preferable, therefore, to make minimum standards—specific ones and enough of them—not only emergency-proof but also amendment-proof. Theory should specify the humanitarian standards that deserve such preeminence.

KEYNES AS AN ECONOMIST

BY HANS NEISSER

IN THE late Lord Keynes of Tilton, or John Maynard Keynes as he was better known to the scientific and political world, there were merged to a unique extent the abilities of a brilliant writer and of a penetrating economic analyst. Neither of the two gifts, however, was utilized to form the basis of a professional career. The driving force in Keynes' life was a desire to influence the economic policy of his country, and both his economic erudition and his literary gifts were made to serve this goal. It was only his realization of the inadequacy of the existing conceptual apparatus of monetary theory which eventually induced him to apply his analytical talents, hitherto used only for such foreign topics as the philosophical theory of probability,¹ to lay a new theoretical basis for economic policy. The first attempt, still on orthodox lines, was the *Treatise on Money* (1930), and this was followed in 1936 by the revolutionary elan of the famous *General Theory of Employment, Prices and Money*.

While Keynes' claim to fame rests primarily in the latter work, the economist would miss much who would disregard his earlier writings. Even his first book, *Indian Currency and Finance* (1913), showed his great ability for clear exposition and his

¹ This book, *A Treatise on Probability* (1921), is outside the scope of the present survey and outside the province of the present writer. A brief remark may be allowed, however. Laplace's definition of probability as the ratio of favorable instances to the "equally possible" ones had led to paradoxical conclusions. The modern school, which was started in Cambridge by Venn and which culminated in the late 1920's in the work of R. von Mises, has attempted to remove the opaque concept of "equally possible" and to use as a measurement of probability the limit to the empirical frequency of an event in a random series. Keynes, on the other hand, adhered to Laplace's concept, because he regarded probability statements as unanalyzable judgments. His contribution was the development of a special probability calculus in which paradoxical results could be avoided. The work gained high praise from the greatest authority in mathematical statistics then living, L. von Bortkiewicz.

endeavor to go behind the mere institutional framework and come to grips with economic realities. It was these characteristics that made the *Economic Consequences of the Peace* (1919), continued in the *Revision of the Treaty* (1922), such a sensational success. The general public was captivated by what appeared to be the first inside story of the peace negotiations, and particularly by the vivid psychological portraits of the leading statesmen; the characterization of Wilson as a Presbyterian theologian in politics has definitely molded our historical memory. As a contribution to economic policy, however, the book's success was due to the predominance of realistic vision over formal economic analysis.

Formal theory would have been difficult for the general public to comprehend. But the theoretical apparatus applied by Keynes was so simple that any layman who cared could not fail to understand it. Even Wilson must have known, when he taught textbook economics as a young professor, that unilateral payments from one country to another require an excess of exports over imports. Moreover, formal economic analysis would not have led very far. It could only have demonstrated that unilateral payments of the kind implied in money reparations necessitate an adjustment of production and world trade, the creation of a new equilibrium in the place of the old one; and such theoretical considerations could not reveal the magnitude of the task involved, in particular the time necessary to achieve a given change in the export surplus. But the *Economic Consequences of the Peace* contained an answer, a correct answer, as the subsequent years were to show and as the Dawes plan of 1924 virtually acknowledged. And it could contain an answer because the author's powers of intuition and observation allowed him to translate general theory into concrete economic processes.

Similarly, in reading today the tract *Monetary Reform* (1924) it is not the analytical part which impresses the reader most. The Cambridge version of the quantity theory, based on oral tradition since Marshall, had been presented before, though not so felici-

tously, in an article of Pigou's; the crucial defects in the classical "purchasing power parity theory" of foreign exchange rates, which had been rejuvenated by Cassel, are not mended by Keynes' qualifications; the gospel of price stabilization by monetary policy had been preached for years, in the United States particularly by Irving Fisher. But again we are struck by Keynes' sense of reality, which, in opposition to the traditional theory of inflation and foreign exchange, associates the problem of foreign exchange stabilization with the size of the national debt; and the proposal for the establishment of two monetary blocs, the dollar and the sterling, as basis for worldwide stabilization of money values reads like a prophecy.

Monetary Reform seemed for a while to be Keynes' last contribution to the science of economics. His great ability to observe and understand what was currently going on in the economic world² had early led him into business activities—he was chairman of a large insurance concern—and his combination of analytical, literary and observational powers made him the leading economic journalist of England. Most outstanding among his contributions of the later twenties was a series of articles reissued as a pamphlet under the title *The Economic Consequences of Mr. Churchill* (1925), which pointed out the basic errors in England's return to the gold standard at the parity of 1914—later referred to as the "overvaluation" of the pound sterling. It was the recollection of these "Cassandra" laments, as Keynes himself once characterized his role, which after the crisis of 1929, and especially after the breakdown of the pound sterling in 1931, raised Keynes, in the opinion of the public, from the position of a brilliant but eccentric and even heretic critic to that of the

² The present writer was once witness to Keynes' extraordinary gift for economic observation. In September 1932, at one of Keynes' weekly seminar meetings in Cambridge, Keynes himself read a paper with the approximate title, "Is There a Bottom to the Slump?" He answered this question in the affirmative, stating at the same time that in his opinion the bottom had just been reached. A reader who consults the production statistics will find that the third quarter of 1932 did indeed represent the lowest point of the depression, and that in September 1932 the first sign of a recovery became visible.

foremost economic authority of the realm. He became a regular contributor to the *London Times*; under new editorship the *Economist* relinquished its conservative traits; and eventually even the City yielded, electing Keynes a director of the Bank of England.

This side of Keynes' manifold activities is here of subordinate importance. What interests us most is the way in which the Keynes of the early twenties, still a faithful adherent of traditional Cambridge economics, became the revolutionary of the thirties. The *Treatise on Money*, published in 1930 and written largely before the breakdown of 1929, does not yet show a basic dissatisfaction with the conceptual apparatus of the quantity theory, or with the use of that theory as a means of explaining, through the medium of fluctuating prices, the cyclical fluctuations of business. It was rather an attempt to broaden the traditional theoretical basis by presenting a new version of the quantity theory; in this version the terms "quantity of money," "velocity of circulation" and "volume of trade" were replaced by the concepts of investment and saving, on the basis of a peculiar income concept which excluded the "windfall profits" of firms.

In retrospect both the savings-investment version of the quantity theory and Keynes' contribution to the theory of velocity of circulation, in his concept of transaction balances, are recognizable as important steps to the revolutionary novelties in the *General Theory*. In 1930, however, the effect was mostly academic, giving rise to lengthy discussions turning ultimately on a time-honored problem: how far it is possible for conclusions concerning the causes of price fluctuations to be drawn from an identity relation like the "equation of exchange," which is true at any moment; in other words, if money stock times velocity always equals physical volume of trade times price level, what is cause and what is effect? The somewhat involved algebra of the first part of the *Treatise*, in which the new equations were developed, appeared a little sterile—not quite justifiably, in my opinion, for it shed an important light on the conditions under which

aggregate profits in the economic system are possible. The theoretical approach of the *Treatise* has certainly been made obsolete by the *General Theory*, but the discussion of the management of money, in the second volume, remains the classical treatment of a much mistreated subject.

The *Treatise* was published at the beginning of the worst depression the capitalist system had known for a century or more. Keynes must have keenly perceived the inability of the traditional analytical apparatus of business cycle theory and monetary theory (not excluding here the *Treatise* itself) to cope with the situation, although this inability was less pronounced on the practical than on the theoretical side. There was available a theory of the turning points of the cycle, especially of the crisis—though it was in a greatly controversial state, utilizing a rather opaque conceptual apparatus—and a theory of cumulative inflation and deflation. This was enough as a basis for a program of “reflation,” but it was not enough for a full theoretical understanding of the phases of the cyclical process. What determines, at any given moment, the degree of utilization and employment, in other words, what determines that point in the process of inflation and deflation at which the system finds itself at a given moment? A theory of short-run equilibrium was lacking; and as a consequence a quantitative description of the cyclical processes proved difficult.

In developing his new ideas—a work which he started almost immediately after the completion of the *Treatise*—Keynes pursued a lead given by the Swedish economist Wicksell, who had introduced the relation between saving and investment as a criterion of monetary equilibrium.³ In addition, R. F. Kahn’s article on investment and employment,⁴ published in 1931, influenced Keynes’ thought by introducing the concept of the investment

³ The inadequacy of this approach had already been evident in the *Treatise* and is fully revealed in the *General Theory*. See the present writer’s article, “Monetary Equilibrium and the Natural Rate of Interest,” in *Social Research*, vol. 8 (November 1941) pp. 454–68.

⁴ “The Relation of Home Investment to Unemployment,” in *Economic Journal* (June 1931).

multiplier, though the position of this concept in the *General Theory* is by no means of such central significance as is frequently assumed.

The *General Theory*, as it eventually emerged after several years of work, at the same time proposes economic policy and expounds economic theory. In regard to its policy content a curious misunderstanding has arisen in the general public. It is believed to be the book which ushered in and justified the New Deal policy of deficit spending for obtaining full employment. But deficit spending was introduced several years before the publication of the *General Theory*, and the theory of "reflation" had been expounded since 1931, in England by the Cambridge school⁵ and on the continent by the non-Austrian branch of the "neo-Wicksellian" school, as Keynes himself called the type of thinking that characterized the *Treatise*; in this country J. M. Clark's classic monograph about the multiplier, *The Economics of Planning Public Works*, was published in 1935. In actual fact, the idea of deficit spending and public investment as a supplement to private investment could be fitted by Keynes into the theoretical apparatus of the *General Theory* only by some tour de force. And though this apparatus eventually proved very fruitful for the quantitative measurement of the effects of deficit spending, the practical political significance of the *General Theory* lies rather in the extraordinary energy with which the problem of employment was put into the center of economic theory, with which full employment was proclaimed to be the goal of economic policy, and with which the means to this end were derived from the theoretical system.

The overwhelming effect of this new approach can be compared only with the fight for free trade which was waged four generations earlier by Ricardo, following the lead of Adam Smith. The only difference is that in our somewhat more receptive times the effect was almost instantaneous, while the realization of free

⁵ As a protagonist of deficit spending Keynes visited President Roosevelt in 1934 and convinced him of the necessity of continuing this policy.

trade, in Great Britain at least, was separated by more than thirty years from the economist's proposals.

Since the *General Theory* was written with one eye to its practical political effects, in a forceful language designed to administer a shock to traditional thinking, it has not proved quite easy for Keynes' fellow economists to ascertain and absorb its main theoretical content. Moreover, despite his mathematical training, Keynes always used the mathematical tools of analysis very sparingly and preferred literary presentation, with the consequence that the coherence of the system was immediately grasped by only a few. As a result of the work of some younger economists this difficulty has now been overcome. The simplicity of the mathematical presentation of Keynes' theory confirms Dr. Marschak's dictum that, because of the complexity of economic reality, "reading without tears" in economics can be more easily achieved with than without mathematics.

"Keynesian economics" in the widest sense of the word is characterized by its rejection of the so-called law of markets, according to which aggregate losses are impossible in an economic system as a whole, as contrasted with a single industry, because nobody is supposed to sell except in order to buy. This mainstay of classical and neoclassical economics had been virtually discarded and even explicitly criticized in business cycle theory, but it was retained in the general theory of price and distribution, and there it certainly impeded the progress of analysis. In actual fact, people sell also for other ends than buying. Thus in the Keynesian approach the concept of liquidity preference—holding money is preferred to holding illiquid investments—takes the place of the law of markets. This substitution is quite appropriate to an economic theory that purports to cover more than the general long-run equilibrium situation in which the conditions of the law of markets would be satisfied.

The second novelty is the extension of the idea of functional relationship from the equilibrium theory of price and distribution, which it had dominated since Jevons and Walras, to the

theory of "disequilibrium," that is, to the theory of money and of business cycles. As was mentioned before, these theories had attempted to explain the cumulative downward movements from and upward movements to a state of full prosperity; and such concepts as income, consumption, savings always appeared as unique magnitudes associated with the state of "full prosperity" or "equilibrium." They now become variables, schedules, their size functionally related with the degree of utilization obtained in the system.

No more than four such basic relations, together with the quantity of money and the money level of wages, were needed by Keynes to establish the short-run equilibrium of the economic system. These relations had been described before in economic analysis, but their adequacy for determining short-run equilibrium had not been recognized. They are: first, the propensity to consume, relating consumption, and thus, implicitly, saving, to income; second, the marginal efficiency of capital, relating the rate of current investment to the interest rate; third, the liquidity preference (in the wider sense of the word), relating the volume of monetary balances to income and the interest rate; and fourth, the aggregate supply function, relating the output of the system, from an equipment of given quality and quantity, to the "aggregate supply price."⁶

The reader may have noticed that in this brief sketch no stress has been laid on the famous and controversial contention of Keynes that the interest rate depends only on the quantity of money—which he proclaimed with vigorous enthusiasm. Mathematical analysis has shown that his observations on this subject are the weakest part of his book, and that the difference between his and the traditional approach is here less than Keynes assumed.

The theory of employment is another field in which the prac-

⁶ Especially in the last of these four relations it is evident how the apparatus of neoclassical marginal theory (for example, competitive price equals marginal costs) was incorporated in monetary and business cycle theory, from which it had too long been separated.

tic
der
ter
lea
em
pro
plo
eve
cal
Th
on
som
As
som
affe
M
qua
is, c
tion
cip
don
resp
reti
abl
use
mal
be
bus
des
of
eco
7 In
exce
8 A
elab

tical political aims governing the form of presentation have rendered difficult a correct understanding of the results. The very terminology in Keynes' theory of employment has proved misleading. Frequently it has not been realized that the state of full employment which the new theory describes, and the new policy proclaimed as a possible goal, refer not to the absence of unemployment in the statistical sense, but to a situation in which everybody has found a job who is willing to work at the historically established money wage rate, despite rising costs of living.⁷ This qualification sets definite limits to full employment proposals on a Keynesian basis, limits which Keynes himself, in contrast to some of his over-zealous disciples, never disregarded in practice. As a result the practical significance of Keynesian economics is somewhat reduced, but its theoretical significance is not at all affected.

Nor is the latter impaired by the necessity for certain theoretical qualifications. What essentially matters in the Keynesian system is, on the formal side, its methodological coordination of the traditional branches of economic theory, with the result that the principles of interdependence, functionalism and marginalism now dominate and unite all parts of economic theory. And in material respects its contribution is its reduction of the neoclassical theoretical system, with its thousands of equations, to a few manageable and measurable relations, for on such reduction depends the usefulness of a theoretical system for both prediction and policy-making. In the future the branches of economics will no longer be the general theory of price and distribution, monetary theory, business cycle theory, but only two: on the one hand, the rigorous description of economic behavior, in all the possible variations of the millions of units that make up the economy—microeconomics;⁸ and on the other hand, the less rigorous but more

⁷ In more technical terms, the basic neoclassical law that the real wage rate cannot exceed the marginal productivity of labor is by no means invalidated.

⁸ A theory of short-run equilibrium on a microeconomic basis has already been elaborated, by J. R. Hicks in his *Value and Capital* (1937).

useful reduction of these observations to a few measurable relations—macroeconomics.⁹

The new approach has already proved its usefulness in the enormous stimulus it has given to the quantitative analysis of economic events. Of the functional relations listed above the first and third have actually been measured, and all present work on the prediction of employment and income in the years to come is derived from Keynes' analysis. The new approach has proved its fruitfulness also by the very modifications it has called forth—modifications necessary either to allow a more adequate explanation of observed reality or to "dynamize" the Keynesian system, that is, to make it describe not only the short-run equilibrium but also the path along which the economic magnitudes move in approaching long-run equilibrium.¹⁰

Keynes himself participated only in exceptional cases in the lively discussion which his book stirred up, though he generously welcomed attempts to develop it further in the directions indicated above. If his mind was already at work in opening new vistas to economic analysis, incipient illness prevented him from further theoretical publication. The outbreak of the war then called him back, now in a much more influential position, to government service, from which he had indignantly resigned in 1919, when his attempts toward a reasonable settlement of the reparation question did not meet understanding. The important contributions to economic policy which his fertile mind made during wartime are still fresh in our memories. Partial financing of the costs of the war by compulsory saving, in order to reduce the danger of wartime inflation, was his idea. And his role in the creation of the new world monetary organization is well

⁹ It should be noted that the traditional microeconomic approach also uses quantities describing the behavior of the community (for example, the market demand for homogeneous goods like sugar). But macroeconomics goes farther and utilizes, in bold approximation, such concepts as the aggregate supply of goods in general, which can be defined only with the help of indices.

¹⁰ Some "macrodynamic" attempts in this direction actually preceded the *General Theory* (such as Frisch's work of 1933). They were based, however, on much more arbitrary assumptions than Keynes' work.

known—though in the present writer's opinion the great superiority of his original plans for an International Clearing Union, as compared with the American plan ultimately realized in the institution created at Bretton Woods, has not been fully recognized.

There is no doubt that Keynes himself drew the utmost satisfaction from the more practical work of these last years. But his place in the history of economic thought is determined by the *General Theory*. It is not too much to say that he was peer to the few economists history has acknowledged as the great masters of our science, that he was in the same class as Adam Smith, Ricardo and Marshall.

JULIUS EBBINGHAUS, ON THE OCCASION OF THE REOPENING OF THE UNIVERSITY OF MARBURG¹

TRANSLATED BY H. M. KALLEN

Olympian Zeus abhors the boaster giving tongue;
Heavy his hate falls on high-vaulting arrogance.
When the god beheld the proud, gold-glistening host
Thrust forward like a flood upbillowing
In the tumult of a boundless willfulness,
Then with his thunderbolt struck he down to shame
The leader, even as that one thrust himself forward
With a shout of "Victory!"
Undone he crashed to the resounding earth,
He, the overweening vaunter, who, armed with the torch,
Had in his drunken rage and fury-breathing onrush
Snorted wildly forth his malignant frenzy.²

THE words you have just heard are the words of a Sophoclean chorus. They express an expiation. Today we again live through, in spirit, those hours, days and months of twelve years ago, when a false idol was borne into the festival halls of our universities and free speech died and justice was crushed underfoot. Now

¹ The University of Marburg is in the American zone of occupation and was reopened on September 25, 1945. The new Rector is the philosopher, Julius Ebbinghaus, son of the psychologist Ebbinghaus, well known to American students of philosophy before World War I. A devout Kantian, and one of the most learned of Kantian scholars, Julius Ebbinghaus rejected the National Socialists and their ways and works from the beginning. His remarks on the occasion of the reopening of Marburg University have a significance that reaches beyond their immediate audience. They speak to the world, and I have made this translation of them so that they may reach American ears.

² The quotation, in German, is unidentified in the text of the address. It appears to be from *Antigone*, Scene I, Chorus I, 2.

once again we experience the agony of reason shouted down, of taste insulted and of decency ripped apart. The hour will yet come, we then believed, when we shall be able to sweep all this hullabalooing, all this baseness, all this senselessness and all this idiocy from our halls. Well, the hour *has* come. Now, in the very place where we held celebrations during which we so often heard sickness swell into cries of "Heil!", we at last speak freely words that make us free. But no note of exultation sounds in our speech, so unimaginable are the horrors of soul and body through which we have passed. Upon our spirits lies the weight of all those dead who were the sacrifice to this most murderous of all wars, whatever they had vowed their lives to—duty, madness or freedom. Let that which impelled these dead be what it may, the judgment of reason dies on our lips when we look upon the gates before which all must tremble. God alone knows what should be the measure of judgment for any man.

But, remembering the dead, let us not forget the living who stand before us, and first of all the living youth of Germany who look to us with the same breathless expectation as we to them. We do not know what these fellow students of ours have in store for us. Let us, therefore, amid the solemn pledges of this celebration, tell them what we have in store for them.

First and above all, we vow that we shall set aflame in them the spirit of science and the freedom of critical judgment, that we shall teach them to feel that all mere parrot-echoes are unendurable. It is our desire to teach them to lay aside dogmatism and prejudice, to seek proof for themselves, and always to compare their own judgments with the judgments of others. We intend to render them responsive to the duty to doubt, to the duty to weigh their premises and to be consistent in their thinking. We mean to accustom them to despise the babbler, however violently his speech foams from his mouth.

Second, we vow to help our youth, in so far as we have the power, to grow into free men. We intend to show them the greatness of humanity, of course; but we shall also show them

its littleness, and lead them to mistrust all masqueraded heroisms and human pretentiousness. We mean to arouse in them the passion for true honor, and we mean to teach them that there is no such thing as an honor which calls for the commission, the concealment or the defense of any injustice whatsoever.

The third thing our youth may expect from us is help toward an insight into the true meaning of fatherland and patriotism. We want them to realize that a man cannot have a fatherland save in a country where justice and law reign and where he himself may share in the making of law on equal terms with his neighbors. Moreover, we intend that our youth shall understand that the ruler of a state can steal their fatherland from the citizens by making them hopeless of securing justice; and that having thus betrayed the land he rules, the ruler has no right to charge the citizens as traitors because they reject him as himself the traitor. In this way our youth will also learn to distinguish between the fatherland and its ruler; they will learn that it is not Germany which owes a duty to this or that individual, but that it is these individuals, whatever their rank may be, who owe a duty to their country.

Fourth and last, we vow that we shall never use the loftiness of the task which, because we are men of science, confronts us, as an excuse for an unseemly overestimation of ourselves and our class. The highest truth concerning human relations that we can teach our youth is the truth that all men are equal, and that anyone who attacked this truth proved thereby that he was a stranger to the world of freedom. All men are equal in their rights; no man, it follows, may be master of another; the right of one to command another accrues to their association only in so far as this association is based on just laws. When we deal, however, with a man's ultimate worth, its measure is not the rank of the task he has set himself; its measure is the devotion with which he gives his powers to the task.

I have now made my vows. I have not spoken them because of the occasion, merely, nor because a new wind blows in the politi-

cal economy of Germany. I do not know which of the many political parties the vows belong to, but I do know that I have been taught what I have just spoken by many decades of scientific labor. Perhaps my words meet your expectations, fellow students; perhaps they go altogether contrary to your expectations. I ask you, however, neither to reject nor to accept anything I have said. I ask you only to free your minds, to open up your souls, and together with us to test whether, after such immeasurable suffering, anything is left to humanity other than the goal which these vows commit us to: the goal of living as human beings among human beings working to realize the common idea of a common humanity.

BOOK REVIEWS

HICKS, J. R., and HART, ALBERT GAILORD. *The Social Framework of the American Economy, An Introduction to Economics*. New York: Oxford University Press. 1945. xvi & 261 pp. \$2.50.

Professor Hicks presents here the results of what he calls "economic anatomy"—"the structure of the body economic as it can be discovered by statisticians working on figures collected *after the event*." In thus giving us the work of economic statisticians, along with the newer developments of economic theory, he has kindled into life what used to be the chapters on definitions that formed the not very highly interesting introduction to economic theory proper in the old textbooks. The main subject of economic theory, in particular the theory of price, output and distribution, is left to a later publication. The present book contains a description of the "productive process," including short discussions of the factors of production and of what theory knows as the period of production. There is also a brief presentation of the theory of population, and a more extensive discussion of social output and national income. In conjunction with such basic concepts the book presents the most important statistical results; in the last part, for example, there is a chapter on the national income of the United States in 1939.

The need for such a book is obvious to any teacher of economics. It is particularly gratifying that an economic theorist of the rank of Professor Hicks has taken time to write a text of this character, and that Professor Hart could be persuaded to adapt the book for American use by bringing in American literature and official statistics. In this way a volume has been produced which, in precision of concepts and clarity of presentation, far exceeds the level of most textbooks on the subject.

For future editions the question may be raised whether the content of this first part of a treatise on economic theory could not be expanded. The section on birth rates and death rates could be amplified by explaining the significant concept of the reproduction rate; and among the causes of the decline in the birth rate an analysis of the general rationalization process of modern civilization deserves a place. The discussions of the period of production and of national income might be supplemented by presenting the relations between money stock, money flow and stages of production. In the pages on population (overpopulation and underpopulation) there is opportunity for a general discussion of the laws of increasing and decreasing

returns. The relations between investment and saving could be treated as a part of "social accounting," and even an analysis of the widely misunderstood process of formation of capital and its relation to saving would not be out of place. True, some of these topics could be said to belong to "economic physiology" (the way the economic system works) rather than to economic anatomy. But even as the book stands it was not possible to maintain this sharp distinction, as is evident, for example, in the chapters that deal with "Capital Goods and the Causes of Unemployment" and "The Spreading of Unemployment."

HANS NEISSER

KATONA, GEORGE. *Price Control and Business*. [Cowles Commission for Research in Economics, Monograph No. 9.] Bloomington: Principia Press. 1945. xi & 246 pp. \$3.

This monograph contains the results of field studies conducted among producers and distributors of a few important consumer goods in the Chicago area between the spring of 1942, after institution of the General Maximum Price Regulation, and the spring of 1944. The investigations consisted of 676 intensive interviews with 528 firms in the fields of apparel and house furnishings, food, laundries, and drugs and cosmetics. They were designed to elicit information on both the objective and the subjective reactions of the interviewed firms to economic developments affecting them, especially price control.

The first of the sections presenting the findings (Part Two) describes the pricing procedures that were adopted by business—such as legal and illegal direct price increases, indirect price increases, reduction in markdowns, upgrading. One finding of interest is that a substantial part of the price increases that followed the General Maximum Price Regulation resulted, at least in the field of apparel and house furnishings, from raising prices to the ceilings. Also significant, in view of the claim often made by the industry that consumers no longer want low-cost clothing, is the author's failure to find any conclusive evidence that upgrading resulted exclusively from voluntary action of consumers, except in the fields of men's suits and shoes. On the question of direct violations the interviewers obtained more information than they themselves expected, because, according to the author, merchants were eager to relate what they considered their "justification" for non-compliance.

The description of pricing procedures in Part Two is followed in Part Three by a systematic analysis of the factors favoring and imped-

ing the success of control: the type of regulation, the presence or absence of rationing, the market structure, changes in supply-demand conditions, volume and profits, and changes in expectations, atmosphere, and attitudes of businessmen. This section of the book is more interesting reading. After a useful summary of the relative merits and drawbacks of the base-date freeze, formula regulations, and dollar-and-cent ceilings, the author concludes that on the whole the first is the least and the last is the most effective type of regulation, but that none of the three types is clearly superior to the others when criteria other than effectiveness are also taken into account. The interviewers were told by most businessmen in the fields of apparel and house furnishings that price control had impeded production only in a few exceptional instances, although many said that the line of products produced was affected by profit relationships. In the food field, on the other hand, businessmen thought that higher farm prices would have resulted in greater production; it is noteworthy that this judgment came from persons having no direct experience with the physical difficulties of wartime farm production.

A conclusion that is most significant, regarding the success of price control, is the author's strong confirmation of what we expect on a priori grounds and from general experience: that expectations of shortages and price rises promoted non-compliance and increased demand. He finds that this was an important factor making for a deterioration of price control between the autumn of 1942 and the spring and summer of 1943, when the situation was brought under control by the President's "Hold-the-Line" order, by the establishment of dollar-and-cent ceilings for groceries and meat, by the subsidized retail price reductions, by veto of the anti-subsidy bill and by other evidences of renewed firmness on the price front. Nothing invites failure of price control so much as belief that prices will be permitted to rise, whether this attitude be caused by weakness on the part of the control authorities or by the possibility that control will be terminated.

In his chapter on "Businessmen's Attitudes" the author concludes that "The statement frequently made that 'American business is opposed to price control' appears to be unfounded." Almost 78 per cent of the merchants who expressed an opinion said that on the whole OPA did a good job, or did more good than harm. Of those expressing opinions about enforcement, however, only one-third believed that it was adequate. In his final chapter, "Toward an Appraisal of Price Control," the author concludes that price control

was effective in keeping down the prices of consumer goods, in other words, without it they would have risen much more; that control could have been much more effective, since inept government policies, hostile business attitudes, and expectation of price increases, all of which could have been changed at least to some degree, were the primary cause of circumvention; and finally that the cost of the results obtained was not unduly high, in terms of impairment of production and morale.

Although the first half of this book, the report of findings, is not very startling in nature, Part Three, where the author undertakes an analysis of the results, shows care and discrimination in interpretation. The only important analytical statement that might be questioned is his contention that the most important single factor contributing to the relative success of the fight against inflation was that the rate of consumer expenditures advanced much less than consumer incomes. There is unfortunately no way of telling whether the restricted level of consumer expenditure is a cause or an effect of success in controlling prices. Regardless of whether or not consumers exercise restraint, they cannot buy more than the quantities of goods and services available to them, and if prices are determined by a control which is successful for other reasons, their total expenditure is also determined.

Unfortunately, I cannot persuade myself that the conscientious efforts of the author have added much to our present knowledge of price control. The volume should probably be regarded rather as an experiment in the application of a general research technique. From this point of view, the reviewer suspects that the method of intensive interviewing is not likely to yield much information on objective behavior that could not be better obtained by other means, but that it can give valuable information concerning attitudes.

WALTER S. SALANT

Washington, D. C.

HOOVER, CALVIN B. *International Trade and Domestic Employment*. New York: McGraw-Hill. 1945. 177 pp. \$1.75.

The advantages of foreign trade and related financial problems are discussed by Dr. Hoover on traditional lines, without any attempt to appraise the more refined conceptual apparatus of the foreign-trade multiplier, which has been developed recently for dealing with the relation between foreign trade and employment. Designed as it is for the general reader who is interested in economics, rather than

for the economic specialist, the book does not purport to present the results of original research. Its purpose is to set forth the classical views of the functions of foreign trade, as elaborated in one hundred years of analytical work, and to apply them to the current problems of American economic policy. In this task the author succeeds admirably. The lucidity of his style, the commonsense of his well informed judgments, should serve as a model for similar undertakings in the future.

There can be few economists who would not subscribe to Dr. Hoover's seven-point program, which he summarizes as follows (I omit the two points already accepted in American policy): "3. No program for the removal of barriers and controls in international trade should be carried out in disregard of the cartel problem. 4. The United States should substantially lower its protective tariff, contingent on reciprocal action by other countries. 5. Lend-lease should be regarded as a cost of war, and repayment for goods and services consumed during the war should not be required. 6. Our merchant marine policy should be founded upon three major considerations: first, national security; second, comparative cost; third, stability of the international balance of payments. 7. The maintenance of a high level of employment in the United States is the most fundamental condition for keeping in operation a program of international trade expansion."

In one respect one wishes that the author had been more specific. By pointing out that we should "expand production in lines in which our natural and capital resources, our skill in labor and management, and the development of our production techniques have given us an advantage over other countries" (p. 20), he touches—but only touches—on a basic tenet of foreign trade theory which the layman has always found it difficult to understand. This is the principle that a country should not try (in fact, would not be able) to compete in all fields where production is physically possible to it, but must restrict itself to those fields where its superiority in efficiency is greatest; in other words, American wage rates are governed by the efficiency of labor in fields where that efficiency is relatively high, and lower wage rates in foreign countries are most frequently the concomitant not of "social dumping" but of a lower efficiency of labor on the average. A clarification of these basic relations would also have assisted the author in explaining to the reader the puzzle that American mercantile shipping (discussed in Section VII) has always found it difficult to compete with foreign shipping.

HANS NEISSER

KENNEDY, VAN DUSEN. *Union Policy and Incentive Wage Methods*. New York: Columbia University Press. 1945. 260 pp. \$3.

Incentive wages have acquired increasing importance in the manufacturing industries, and their administration is one of the most difficult problems of union-management relations. They have become one of the main causes of workers' grievances. Moreover, "incentive wage methods frequently become the battle ground on which the differing points of view of capital and labor in regard to the fundamental questions of labor cost, wage policy, and efficiency must be resolved. The conflicts are serious because industrial management has come to believe on so wide a scale that incentive plans . . . are indispensable means to volume production at low cost, whereas organized labor often finds these methods at odds with its own basic ideas about wage payment and security for workers." This impartial study of union attitudes and policies and the extent and nature of labor participation in rate setting and in the provisions included in collective agreements provides valuable information and makes clear the difficulties that both management and unions are facing. Its value lies particularly in its interpretation of union attitudes toward this question.

The underlying investigation, conducted in manufacturing industries, under the auspices of the Division of Industrial Relations of the Bureau of Labor Statistics in the period before the United States' entry into the war, was based on interviews with union officials and managers and on analysis of incentive wage clauses in collective agreements. Kennedy's investigation is the third of its kind, following Hoxie's and Slichter's brilliant studies in the same field. When Hoxie, in his *Scientific Management and Labor* (New York 1915), analyzed labor's attitude before World War I, the unions, with few exceptions, were bitterly hostile to incentive wages. In the intervening years both management and industrial relations have improved so much that union opposition has decreased, although, as Kennedy states, a large part of Hoxie's analysis remains pertinent today. Sumner Slichter, in his *Union Policies and Industrial Management* (Washington 1941), found organized labor much more favorably disposed toward incentive wages than Hoxie did, and more even than Kennedy does. The latter partially accounts for this difference by the fact that Slichter investigated the older unions and at an earlier date, while Kennedy includes the more recently organized unions in the mass industries.

The principle of payment by results is completely accepted in the apparel industries, but in the heavy, durable-goods industries opposi-

tion to it has been strong and vocal. The author stresses the fact, however, that there are differences in opinion on this question between national and local unions, between officials and the rank and file. Where some of the workers receive incentive wages, hourly paid workers have frequently insisted on participating in the scheme. Nevertheless, the suspicion that complicated procedures merely result in more work for less money is hard to overcome, especially where there is lack of confidence in the good faith and fairness of employers. Such suspicion of management intentions has been a frequent cause of restriction of output by individual workers or groups. Fear of unemployment is another consideration governing union attitudes toward incentive wages. Moreover, workers contend, and justifiably, that there are unpredictable variations in working conditions and constant changes, and that frequently not science but personal judgment makes for wage determination.

Wherever incentive wages are paid, unions have demanded co-determination, and in some industries (clothing, hosiery, millinery, shoes) joint setting of wage rates has been generally accepted in collective agreements. In other industries grievance machinery, including arbitration, has become an important instrument for the determination of incentive rates. Kennedy believes that the unions have had a remarkable influence in unifying wage rates for similar jobs and in narrowing the range between high and low rates by raising the latter. An interesting chapter on the provisions of union agreements discusses protective clauses which are intended to offset the hardships sometimes associated with incentive payment. The author makes a few minor proposals for relieving the labor-management tension associated with this principle, such as knowledge of motion studies and job evaluation on the part of shop stewards, who may then help the workers to improve their output.

FRIEDA WUNDERLICH

L'Oeuvre de la Troisième République. [Collection "France Forever," under the direction of Henri Laugier.] Montreal: Les Editions de L'Arbre. 1945. 318 pp.

Ten authors, each of whom is or was a refugee scholar and a well-known specialist in the field he covers, contribute to this book essays on various subjects dealing with the Third Republic of France. Thus B. Mirkiné-Guetzévitch, Pierre Cot and R. P. Ducatillon account for Part I, which deals with political achievements of the Third Republic; Jean Weiller, Paul Vignaux and Jean Bénédict-Lévy have contributed

Part II, which covers economic-social activities; and Part III, dealing with scientific developments, is admirably handled by Jacques Hada-mard, Henri Laugier, Gustave Cohen and Alexandre Koyré.

In a collection of essays written by different scholars a reader should not, of course, seek exhaustive and detailed information. But he may justifiably look for the mature understanding and insight and the balanced judgment that come of long familiarity with the material, and for suggestions on further reading and study. These he will find in the present book, together with traces of other elements that are less dispassionately scholarly. Some accounts are superior to others in indicating the range of the field, for example Ducatillon's essay on religion and the state, and Weiller's searching and comprehensive article on economic development. But, without exception, all the studies are careful and systematic surveys or introductions, suggesting for the various fields not only what the developments actually were but also the problems of relationship and interpretation. Indeed, the excellence of the organization has the defects of its virtue, for the essays are, if anything, overschematic, too explicitly and overtly Cartesian in their methodically logical arrangement (this is least true of Mirkine's study on constitutional developments and of Vignaux's on the labor movement). Also, these articles—which sound more like lectures than essays—scarcely read as if they had been written without benefit of any other scholarly apparatus than mental notes. The authors practice a Spartan renunciation of literary charm; all aim at being sober, some succeed in being ponderous. Only occasionally, however, are the contributions tinged by pedantry. On the whole they are clearly and vigorously written, suggestive and free of arrogance.

All these essays seek what may be called the cultural-humanistic *douceur de vivre* in the bourgeois parliamentary regime of prewar France. Mirkine, for instance, though he does not conceal the drabness and trickeries of the bourgeois republic, quotes Jaurès to the effect that it was the republic of a great people, and cites a working-class representative of the Resistance who declared that this bourgeois republic did more for the workers than any previous regime, by legalizing trade unions and establishing compulsory schooling, the eight-hour day and forty-hour week, the right to organize and to strike—in a word, respect for the dignity of the human being. Pierre Cot is under no illusions about the harm done to France when her foreign policy was handled by reactionaries, yet he sees strength and glory in French democracy, particularly in the action of the republican pro-

gressives in checking the noxious diplomacy of the conservatives and seeking to bring France back to the ways of wisdom and reason.

Similarly, Ducatillon sees the Judaeo-Christian tradition working in and through the revolutionary heritage taken over by the secular republic, and Weiller, who emphasizes the influence of men in determining economic evolution, concludes that in the generation before the collapse the economic progress of France was significant and far greater than has been recognized. Benoît-Lévy writes glowingly about social achievements, and Hadamard expresses his surprise and admiration at what the Third Republic contributed to education, stating unequivocally that the republic was "a creator at all levels and in all the branches of instruction." Finally Koyré, in his ordered study on philosophy and the philosophers, writes that systematic knowledge of the history of philosophy, indispensable to the cultural growth of a nation, was never more cultivated in France than during the Third Republic.

This nostalgia for a past that has to some degree vanished and has long been distant is of course wholly understandable. Nor is it regrettable, unless its intensity should predispose those whom it affects not to recognize cultural manifestations abroad, away from the France of the now politically ended Third Republic; or cause them to be unsympathetic to the new cultural developments which are occurring inside France and which they have not yet had the opportunity to assess with their trained discrimination.

LEO GERSHOY

Sarah Lawrence College

SMITH, HAROLD D. *The Management of Your Government*. [Foreword by Eric Johnston.] New York: McGraw-Hill. 1945. xiii & 179 pp. \$2.50.

Harold Smith is one of those leading men who, like Charles E. Merriam, Carl J. Friedrich, William Anderson, John M. Gaus, Luther Gulick, Marshall E. Dimock and most professors of public administration, rightly insist that management should not be treated as a mere side issue of democratic government, but that—to use the words with which he begins the book—it lies "at the core" of democratic government. "Neither the fruits of peace nor the objectives of war can be gained without bringing into focus the art and science of management." His book, therefore, is basically another attack—or, rather, attempt at persuasion—directed at escapists who would see management primarily as an objective of control rather than as a positive

obligation of democratic government. But he by no means neglects the specifically democratic aspects of the topic, and he concludes his book with the remark that the management of democratic government "must be imbued with both individual freedom and social responsibility in order to master its peacetime task."

One of the guiding ideas of this thoughtful volume is that the budget is an ideal instrument for both tasks—that of political control of the bureaucracy by Congress, and that of administrative management under the direction of the President, whose own tool in the performance of this task is the Bureau of the Budget. It is rare that, after many years of service, a leading governmental official is permitted, willing and able as a writer to approach the subject matter of his official duties with freshness, drive and objectivity. Smith does just that in discussing the Bureau, of which he was director when he wrote.

He has the great advantage that the agency is in the process of a successful ascendancy, built on service rather than on privilege. That it has been made the leading office for advice on organizational problems and for overall control has proved a sound experiment, which compares favorably with the different set-up used in other countries. Current budgetary controls provide the Bureau of the Budget with detailed information on all governmental agencies, and it is only wise and economical to use this well lubricated machinery also for general overall purposes, rather than to establish a duplicate apparatus close to the chief executive or prime minister, as has been done elsewhere. The combination of various functions that has thus evolved in the Bureau of the Budget is about to make the latter also the natural tool for the direction of planning—at least fiscal planning, the need for which should be beyond the realm of party controversy by now.

The book also deals with the coordination of fiscal policy on federal, state and local levels, with public works, and with the "nation's budget." This last section could bear elaboration, because what it now contains, while familiar to the expert, is not fully comprehensible to the layman who wants a clear exposition of the automatic balance, which is hard for him to understand.

Smith has preserved critical distance from his own bureau. He insists on its further improvement as it confronts the great tasks of management ahead, tasks that the author sets forth in clear and visionary analysis. His book, unpretentiously written, is a primer, a guide and a program.

ARNOLD BRECHT

ROMMEN, HEINRICH A. *The State in Catholic Thought. A Treatise in Political Philosophy.* St. Louis: B. Herder. 1945. viii & 747 pp. \$6.

Anyone who wishes to judge impartially of the legitimacy or the prospects of the great design of modern man to erect the City of Man on what appear to him to be the ruins of the City of God must familiarize himself with the teachings, and especially the political teachings, of the Catholic church, which is certainly the most powerful antagonist of that modern design. There are people who believe that they can dispose of the Catholic protest by pointing to the apparent opportunism of the policy of the Vatican. It is one of the merits of Dr. Rommen's book that it states without ambiguity the inflexible principles that the Catholic church has maintained throughout the ages by means of a most flexible policy.

An essential characteristic of Catholic thought about the state is that its emphasis on the different elements which it claims to reconcile, in a higher unity, changes with the change of circumstances. Rommen's book is an interesting example of the abandonment by Catholic thought of the romanticist, legitimist or monarchist tendency with which it was allied as long as the fight against the philosophic principles of 1789 was its primary polemic preoccupation, and of its return to the more democratic views of late scholasticism. Particularly valuable is Rommen's account of the intra-Catholic controversy between the adherents of the less democratic designation theory and those of the more democratic translation theory of the origin of political authority (Chapters 19 and 20). In his presentation the only residue of what may loosely be called the romanticist view is his use of the term "organic," which in his work means hardly more, however, than that political society is not simply and essentially egalitarian.

In thus reinterpreting the unity of its elements Catholic thought does not refuse to learn from non-Catholic thought, or to incorporate such ideas of non-Catholic origin as can be reconciled with the Catholic principles. The most outstanding example of this in Rommen's book is his chapter about the content of natural law (Chapter 7), in which he deals almost exclusively with natural rights as distinguished from duties, although he is aware of the fact that the shift of emphasis from duties to rights is of Puritan rather than of Catholic origin (see pp. 423 ff., 556, 564 ff., 580). Almost equally illustrative of the influence of the political situation on the form in which the unchangeable principles are presented is the chapter on the forms of government (Chapter 21), which is devoted chiefly to an explanation of the

anti-democratic attitude of "the great majority of Catholic writers in political philosophy" in the last century (p. 481).

Deviating from the somewhat questionable practice of certain Catholic journalists, Rommen, who obviously has a strong bias in favor of democracy, does not fail to point out that the acceptance of democracy or of any other non-tyrannical form of government is not, and cannot be, the last word of Catholic thought, but depends on the social or political situation of a given country at a given time (pp. 3, 8, 69, 79, 412, 440, 477 ff., 715). He is equally straightforward in distinguishing "the practice of tolerance as a political expedient" from "the ideal status," which is "the union between Church and state whenever the circumstances allow it" (that is, whenever "the people in overwhelming majority are themselves Catholics"), and in making it clear that the union between church and state implies *inter alia* that the Catholic church is recognized as "the public and established religion" and that "the state laws censor and suppress the free circulation of heretical propaganda" (pp. 367 ff., 593 ff., 605). On the other hand he goes too far in saying (p. 337, n.) that St. Thomas (*Summa theologiae*, IIa, IIae, q. 10, a. 11) "defends tolerance of Jews and infidels on the basis of the idea of the common good." In general Rommen succeeds in revealing the impressive unity that underlies the apparently heterogeneous elements which constitute Catholic thought about the state. He is sometimes less fortunate, however, in his account of non-Catholic positions, and he particularly fails to do justice to Rousseau, progressivism and the Third Republic of France.

The author is justified to a considerable extent in calling his work "a treatise in political philosophy." It consists of four parts: "Philosophical Foundations" (political anthropology, political theology, natural law); "The Philosophy of the State" (the origin and nature of the state, the common good, political authority, sovereignty, forms of government); "Church and State"; and "The Community of Nations." Today it is something of a surprise to come across a book on political fundamentals which is more than an open or disguised apology for democracy, and at least attempts to give an openminded and at the same time uncynical account of political principles. In this connection one must recommend especially Rommen's exposition of the scope of political philosophy (pp. 33 ff. and 49 ff.). Yet one cannot help noting a certain lack of clarity in what he says about the character of political philosophy. In his preface he claims that the political philosophy which he presents in his work is based on reason and not on revelation. Later on, however, he declares that "continuous respect

for theology," nay acceptance of "faith and revelation," is of the essence of that very political philosophy (pp. 13 ff., 116). How little he succeeds in limiting himself completely to political philosophy proper, as distinguished from a political teaching based on revelation, may perhaps best be seen from his statement that "no state can live without the beneficent forces of divine religion" (p. 603; compare pp. 327 ff. and 708 ff.), that is, of the Catholic religion.

These critical remarks do not, however, detract from my opinion that Rommen's book is valuable, not merely because it clarifies the Catholic position, but above all because it states the eternal issues of political philosophy with a comprehensiveness and a moral seriousness which are far from being common.

LEO STRAUSS

WEST, JAMES. *Plainville, U.S.A.* New York: Columbia University Press. 1945. 238 pp. \$2.75.

This informative and pleasantly written survey of a contemporary rural community in the southern Midwest is the fruit of an anthropological field study by a pseudonymous author, and is part of a larger study on acculturation sponsored by the Social Science Research Council under the direction of Ralph Linton. A primary aim of the study made by Mr. "West" was to learn in detail how a relatively isolated and backward farming community in the United States reacts to the stream of modern influences pouring in from the cities. The particular community was chosen with as great care as that exercised by the Lynds in their choice of a typical small city: it had to be, among other things, predominantly native and uncomplicated by the presence of foreign-language groups, Negroes, large numbers of non-Protestants, or any influences, such as industrialization or urbanization, which might disturb or distort the economics of a traditional farming community. Plainville, situated in a region of submarginal farmland, is a hamlet of 275 inhabitants, and still serves as a trading center for the immediate area (some twenty miles long and eight miles wide); it is a type of community now rapidly becoming extinct since motor traffic has siphoned off most of the commercial and social activities that used to support such small local centers. The investigator lived in the community in 1939 and 1940, and after some resistance from the residents succeeded eventually in becoming accepted into the local life.

The conceptual scheme at the basis of the survey is derived primarily from Ralph Linton and W. Lloyd Warner. The study, which

is replete with detail about the Plainville pattern of living, and is enlivened by many quotations from the author's informants, opens with an examination of the history, ecology, technology and economic structure of Plainville. This is followed by an analysis of the social structure, with particular emphasis on the class system, which reveals the existence of well-defined class divisions within the small traditional community, in spite of the widespread feeling within it that there were no classes; attention is paid to criteria of attitudes toward class, to the importance of cliques and associations, and to social mobility. Special sections are devoted to the family, to neighborhoods, schools, lodges and clubs, political parties, law and order, loafing and gossip groups, and, finally, sex and age groups. A separate chapter is devoted to religion, the predominant sects, and their practices. There are some very interesting pages on "From Cradle to Grave," which treat of sex and family mores and the folkways and folklore clustering about senescence and death.

The concluding section assesses the significance of the major social changes that have overtaken this culture in its transformation from a subsistence to a money economy—the introduction of modern technology, the facilitation of communication and mobility, the decline of familism, and the expansion of government control. The whole account reveals the cultural penury, the lingering obscurantism and hypocrisy of a community in deep flux which, clinging to the former frontier spirit, resists the ongoing revolution. Retaining much of the attitude of a patriarchal society, the community is illiterate in politics, scornful of education, and hostile to governmental centralization. Plainville is in severe conflict; it is experiencing a partial breakdown of its traditional social, religious and technological system, as a result of soil depletion and the development of newly felt wants and needs arising from too rapid contact with the outside world. The author stresses the gravity of the problem, for there are millions of "Plainvillers" in the United States. As the old value systems of these doomed communities crumble under the inroads of the industrial and money-conscious world outside, the residents must somehow "learn to participate more fully in the cultural rewards of the great society."

This study is a rewarding contribution to rural sociology—exceeding in scope the interesting set of studies on the culture of six rural communities carried forward in 1940 by the Bureau of Agricultural Economics. It is not possible here to discuss certain theoretical questions posed by the author's anthropological approach to the study

of a contemporary community. It may be mentioned, however, that one consequence of that approach, with its strong interest in problems of kinship, cliques, age and sex divisions and the like, is a comparative neglect of a very important contemporary problem: the relation between small and large farms, between agriculture and business, and the resultant implications for public policy. Increasingly, American non-agricultural interests are taking over agricultural activities, with the result that, as Stuart Chase puts it in his *Democracy Under Pressure*, "farming as a way of life has about disappeared."

As with all non-quantitative studies of this kind, it may well be asked to what extent the community is typical. Now that a base line has been drawn, it would be of interest and of scientific value to revisit Plainville in the not too distant future in order to seek an answer to this question and also to assess the changes induced by the war and the major postwar readjustments. It might be noted that in a future supplement more light would be desired on such topics as population changes, rural health, vagabondage and cooperative movements. Finally, this reviewer must record his surprise that no reference is made to the work of the Lynds. With all due respect to the important work of the social anthropologists as they have sought to extend their interest from primitive to contemporary communities and cultures, it cannot be overlooked that *Middletown*, which incidentally acknowledged the value of the anthropological approach, inaugurated the newer type of community surveys, of which this one of Plainville is a current and engaging example.

A recent report to the Rural Sociological Society, discussing the importance of research in rural sociology, emphasized three desiderata: better orientation of research workers in the field, more effective research methods, and a more appreciative and informed public. If this earnest study is as widely read as its interesting content and appealing style entitle it to be, it will help to realize at least the third of these goals.

EPHRAIM FISCHOFF

SIMMONS, LEO W. *The Role of the Aged in Primitive Society*. New Haven: Yale University Press. 1945. 317 pp. \$4.

In the author's own words the scope and purpose of this book are as follows: "This is a report on the status and treatment of the aged within a world-wide selection of primitive societies. The chief question is: What in old age are the possible adjustments to different environments, both physical and social, and what manifestations or

general trends may be observed in such a broad and cross-cultured analysis?"

As his research procedure Professor Simmons has chosen the statistical method. Data on seventy-one peoples were assembled on the basis of a questionnaire compiled by the author. Material on the different traits of each culture or tribe was then analyzed in an attempt to determine, by means of statistical correlation, the coefficients of association for the seventy-one tribes as an aggregate, and the cultural trend of these tribes as a whole with regard to the problem in question—the role of the aged in primitive society. Excerpts from the quoted literature, divided into eight chapters, are extensively tabulated; generalizations are discussed at the ends of the chapters.

Any opinion about the book depends largely on one's attitude concerning the application of the statistical method as a means of interpreting ethno-sociological phenomena. If one grants that such a method may be successfully applied in dealing with a problem of the kind discussed in this book, the manner of its application still remains to be judged. It can hardly be denied that, by means of the statistical method, many cultural trends and cultural traits of primitive societies can be made visible and explained—even complexes that do not belong to material culture. This can be granted, however, only on the assumption that the basic materials and the chosen cultures are comparable, and that correlation associations do exist. Thus the principle of selection is of utmost importance.

It is not entirely clear what principles guided Professor Simmons in his selection of his research material. Tabulations of the geographic distribution of the seventy-one tribes show that the study covers sixteen peoples from North America, ten from Central and South America, fourteen from Africa, three from Europe, sixteen from Asia, and twelve from Oceania and Australia. The climatic distribution of the tribes is thirty-one in the Torrid zone, thirty-five in the Temperate, and five in the Frigid zones. This classification, however, results in the juxtaposition of such primitive societies as the Bushmen, Ainus and Tasmanians and such highly developed cultures as the Hebrew, Inca, Aztec and Norse. And the range is equally wide within the climatic subdivisions that the author has considered: among the tribes listed as living under temperate climatic conditions (summer and winter about equal) we find such different societies as the Tasmanians and the Berbers; among those dwelling in warm climates (little winter and much summer) are the Aztec, Dieri and Vedda; and in drought areas (danger of famine) there are the Bushmen and Hebrew.

Admittedly, climatic conditions exercise a certain influence upon the development and molding of a culture, but they do not determine the course of any culture. Quite apart from the apparently disregarded fact that many of the tribes have migrated to their present habitats, this arbitrary system of classification has many other shortcomings. That the author is aware of these is indicated by such qualifying remarks as the following: "the actual results are still tentative"; "the study suffers from insufficient data"; "seventy-one tribes are too few to justify placing overmuch reliance upon any single coefficient." He might have added that if he had chosen seventy-one other tribes and applied the same classification, the coefficients would probably have been entirely different. In this reviewer's opinion, a selection and classification according to different forms of economics—for example, food gatherers and hunters, hunters, harvesters, herdsmen, farmers—would have produced, in conjunction with the statistical method, more fruitful and reliable results, even with material on fewer than seventy-one tribes. But even with such methodological weaknesses as these, Professor Simmons' book is valuable as a comprehensive collection of data and source material on a much neglected question.

JULIUS E. LIPS

New York City

INDIAN SCIENCE CONGRESS ASSOCIATION, Sarat Chandra Roy Commemorative Committee. *Essays in Anthropology*. [Ed. by J. P. Mills, B. S. Guha, K. P. Chattopadhyay, D. N. Majumdar, A. Aiyappan.] Lucknow, India: Maxwell. 257 pp.

Prior to the work of Sarat Chandra Roy, in whose honor these essays have been collected and published, Indian archaeology fared somewhat better than Indian ethnology. As long ago as 1862 the Archaeological Survey was instituted, under General Cunningham, to promote the study of the monuments of northern India, and subsequently the Ancient Monuments Preservation Act was passed, in the interests of repair and protection. During the last forty years Indian archaeology has done notable work, not only in the extensive excavations that have been undertaken (Mohenjodaro and Karappa, Taxila and Sarnath; the caves of Ajanta and the famous megalithic and other prehistoric remains of southern India) but also in the creation, in February 1945, of an Advisory Board of Archaeology in New Delhi. Indian ethnology, on the other hand, was confined to source material consisting largely of official British publications, which dealt mainly with the castes and tribes of the various administrative districts of

the country. The research was conducted by British and native officials, at the instigation of the late H. H. Risley, and included monographs by such well known authors as Crooke, Enthoven, Iyer, Nanjundayya, Risley, Russell, Syed Sirojul Hassan, Thurston. This material, however, was collected more for administrative purposes than in the interests of purely scientific research. In general our knowledge of ethnological conditions in India remained relatively superficial, despite the centuries of contact between India and the western world.

It was against this background that Sarat Chandra Roy, who is rightly called the father of Indian ethnology, established Indian anthropological research as a science in its own right. His special field of interest was the tribes of the province of Chota-Nagpur—the Mundas, Oraons, Birhors and the Kharias. A lawyer by profession and gifted with keen powers of observation, Roy produced numerous books and articles that rank high among the studies of primitive societies. He made significant contributions to the problems of primitive law as well as to other fields of social anthropology.

Most of the twenty contributors to the present volume are Indian authors. The articles embrace a wide variety of subjects, dealing not only with questions of general anthropology, as in "Theories of Culture Change and Culture Contact" by A. Aiyappan and "Conflict and Social Behaviour" by K. P. Chattopadhyay, but also with specific phases of Indian anthropology in such articles as "Bongaism" by D. M. Majumdar, "Some Recent Contact Problems in the Khasi Hills" by J. P. Mills, and "Anthropological Study of South Indian Brains" by R. Krishna Rau and A. Ananthanarayana Ayer. The papers are a learned tribute to an eminent ethnologist, and they provide the reader with a valuable picture of the status of anthropology in India and the diversified interests of present-day Indian anthropologists.

JULIUS E. LIPS

New York City

CASSIRER, ERNST. *Zur Logik der Kulturwissenschaften. Fünf Studien.* [Göteborgs Högskolas Arsskrift, XLVIII, 1942:1.] Göteborg. 1942. 139 pp.

These studies, which Ernst Cassirer completed before he left Sweden for the United States in the summer of 1942, constitute, in some measure, a sequel to his earlier work, *Philosophie der symbolischen Formen* (Berlin 1923-29). To be sure, their title is somewhat misleading. Almost the only cultural sciences to which reference is made in the book are those of language, art, mythology, religion, and the

theory of science itself—that is, the same disciplines on which he based his philosophy of symbolic forms. It is possible that some of the investigations have a bearing on other sciences also—for instance, political science and sociology—but the reader would have to derive such conclusions for himself. Another more serious limitation of the concept of cultural sciences in these studies is that although some discussion is given to the role of history, its emphasis lies on systematic analyses, which may give the impression that Cassirer considers history an auxiliary science rather than an independent member of the *Kulturwissenschaften*. (In Cassirer's *An Essay on Man* [New Haven 1944], a study that reflects a reshaping of his philosophy after his arrival in this country, there is a special chapter on history.)

Within those areas on which he has focused attention, Cassirer offers a number of observations which, despite a certain looseness of arrangement, reveal a consistent epistemological theory. Two points of this theory seem especially noteworthy, for each indicates a particular component of the author's philosophy. Cassirer, the neo-Kantian, had previously emphasized that the objects of scientific and philosophical knowledge are not substances but functions. In the present studies the term "correlation" sometimes occurs instead of "function." This term played an important role in the philosophy of religion enunciated by Cassirer's teacher, Hermann Cohen, who used it with reference to the relation between God and man. In Cassirer's logic of culture, correlation means that culture is something which is neither merely given to the individual nor wilfully created by him. It is action and reaction in one, something through which man lives and which lives through him. Cassirer believes that realization of the correlational nature of culture reveals a new aspect of the age-old problem of how to prove the existence of an objective world and, in particular, of a consciousness outside the ego.

Cassirer's Kantianism, however, represents only one side of his philosophy. In the course of his development he seems to have been increasingly attracted by Husserl's phenomenology, and in both the *Philosophie der symbolischen Formen* and the present studies, he has ingeniously attempted to combine the teachings of Husserl with his own Kantianism. Just as the earlier work referred not only to the function (the symbols) but also to forms, so the later studies emphasize that in the multitude of cultural creations certain general structural forms are discernible. These forms are subject to a phenomenological analysis, but they do not permit, or they only partly permit, a causal analysis. With a characteristic reference to Goethe,

Cassirer declares: "The function of language—and likewise those of art, religion, and so forth—is and will always remain a primary phenomenon (*Urphänomen*) in the sense Goethe gave to this word." Even in the natural sciences the overemphasis on the causal point of view has given way to the recognition of the irreducibility of certain structures, as evidenced by the development of the quantum theory, the theory of biological mutations, and Gestalt psychology.

In the realm of culture, Cassirer finds structural forms not only in such phenomena as language, art and religion, as a whole, but also in the various species and even in individual historical styles. Analyzing a concept like "Renaissance man," Cassirer justifies the synthetic method of Jacob Burckhardt in the face of objections by more recent historians, and to this end refers to Husserl's concept of an "ideating abstraction." One may feel that Max Weber's concept of the "ideal type" would have been even more helpful. Still, it may be no coincidence that Cassirer avoids reference to that concept. Weber insisted that ideal types are only instruments for the description of historical individuals. For Cassirer, the phenomenologist, on the other hand, the knowledge of the forms is an end in itself, and though it is not the only scientific aim, it is certainly one of particular dignity.

In line with this reasoning is the further point that although Cassirer himself was one of the most eminent historians of culture and philosophy of the recent past, and although his philosophy of culture is entirely based on historical material, this philosophy pays no attention to the specific temporal dimension in the historical phenomena—that which in German has been called *Geschichtlichkeit*. It is perhaps significant that, contrary to the more or less tragic views held by the philosophers of historical existence, Cassirer shares the intellectual serenity of those thinkers whose philosophy is centered on essences, ideas or forms. Cassirer, the historian, knows and acknowledges the agony that has been endured by some of the greatest cultural creators, mainly because of the inadequacy of their achievements as compared with their own aspirations. Yet when he discusses the problem of whether there is an intrinsic tragedy in cultural creation, he refuses to fix his attention merely on the subjectivity of the artist. Important as that may be, the perfection of the work is to be measured by the way in which it fulfills the function of mediating between the artist and the public. If this mediation is accomplished with greatness, the cultural value of the result outweighs any individual tragedy that may have been involved in the creating. On the basis of his philosophy

of culture, Cassirer comes to the optimistic conclusion that "that which the individuals think, wish and feel does not remain locked in their breast, but is objectivated in their work."

ERNST MORITZ MANASSE

North Carolina College for Negroes

PEGIS, ANTON C., ed. *Basic Writings of Saint Thomas Aquinas*. [Annotated, with an introduction by the editor.] New York: Random House. 1945. 2 vols.: vol. 1, liii and 1097 pp., vol. 2, 1179 pp. \$7.50.

In this edition of Thomas Aquinas, Professor Pegis has rendered a very great service to higher education in this country. He has made easily accessible in English translation the whole first part of the *Summa theologiae* and such sections of its second part, as well as of the *Summa contra Gentiles*, as suffice for a general understanding of Thomas' "conception of the life of man within the divine government and of the principles, internal and external, which man needs and can find in working out his destiny." The translation is a revised version of the English Dominican translation. In his revision Professor Pegis has "aimed primarily at accuracy, and at preserving the uniformity of St. Thomas' technical terminology." As far as one can judge from an examination of a few selected passages, he has been remarkably successful. In particular, his translation seems to be unusually free of the vice that is common even in otherwise good translations of philosophic texts: that of unnecessarily departing from the literal. This is not to deny that there would be room for improvement in subsequent printings. For instance, in the translation of the *quaestio* dealing with the natural law (vol. 2, pp. 777 ff.), "apud omnes" is rendered without any reason by expressions as different as "in all men," "in all" and "for all," while "est de jure naturali" is translated "is a matter of natural law," "belongs to the natural law" and "is of the natural law." "Mutakallimin" should be replaced in all cases by "mutakallimun."

In his introduction the editor discusses the intellectual background of the work of Thomas, his "spirit and significance" and his life and works. One could wish that he had devoted a few pages to the method of presentation used in the *Summa theologiae*, a method which at first is bound to be bewildering, not to say unintelligible, to the general reader of our day. Pegis' summary account of the problem with which Thomas was confronted and of his solution is clear, sober and, on most points, convincing. He observes that "the basic issue at stake" was "the nature of wisdom," or, in other words, "the nature

of philosophy itself," and that Thomas' achievement consisted in "freeing philosophy from the philosophers." This is certainly true in the sense that Thomas, in order "to make the Philosopher a worthy vehicle of reason in Christian thought," had to give to philosophy itself a meaning fundamentally different from its Aristotelian (or Platonic) meaning: in Thomas, as distinguished from the classical philosophers and certainly from their greatest follower in the Islamic world (Farabi), philosophy is divorced from the conviction that happiness can be achieved only by, or essentially consists in, philosophy.

Pegis repeatedly grants that Thomas did not merely add a teaching based on revelation to the Aristotelian teaching based on reason, but that he directly opposed important elements of the Aristotelian teaching on the plane of the latter. He believes, however, that as regards the central question—the question of creation—the Aristotelian doctrine is not opposed to the Biblical doctrine, because "there is a considerable difference between not knowing the idea of creation and denying it." I fail to see the usefulness of this distinction in the case at hand. Is it made in order to suggest that one can reconcile the Aristotelian teaching with the Biblical teaching without abandoning the "spirit" of the former? But how can this be true in the light of the fact that Aristotle did not intend "to leave his explanation of the origin of the world unfinished," and did not leave it unfinished? Aristotle did not leave room, intentionally or unintentionally, for a revealed teaching which could be added to his rational teaching.

An introduction to the work of Thomas must point the way toward overcoming the typical present-day obstacles which prevent its genuine understanding. These obstacles are the two forces that dominate all present-day thought—science and history. With regard to science Pegis simply capitulates; he grants that there is "much bad science" in Thomas, yet he holds that this does not affect the value of his philosophy. Can one as easily as that get rid of the enormous difficulty presented by the inseparable connection between Thomas' physics and his natural theology? It would have been more fruitful to indicate why and how far the questions raised by Thomist, or Aristotelian, physics retain their full significance regardless of any progress that modern science has achieved by raising questions of an entirely different type.

As for history, Pegis, while lucidly describing the attitude of Thomas toward the philosophers who preceded him, refers to his way of seeing "the history of philosophy," or of seeking "the guiding thread of

the history of philosophy," and asserts that Thomas' "successful diagnosis of the history of Greek and Arabian philosophy" freed "the thirteenth century of the danger of historicism in the presence of Greek and Arabian thinkers." Passing over the strange implication that the danger of historicism existed in the thirteenth century, I should say that it only contributes to the prevailing confusion to interpret Thomas' critical study of the teachings of his predecessors—a study closely akin to that which a mathematician devotes, not to the history of mathematics, but to mathematical literature—as a concern with the history of philosophy. The confusion is apparently removed, and therefore actually increased, by maintaining that "St. Thomas saw the history of philosophy in the present" instead of saying that Thomas studied the teachings of his predecessors with an exclusive regard to their truth or falsehood, or that for Thomas only argument, and not "history," could legitimately decide the fate of any philosophic thesis.

LEO STRAUSS

American Sociological Review

The Official Journal of the American Sociological Society

PUBLISHED BI-MONTHLY

Partial Contents for June 1946 (Volume 11, Number 3)

FAMILY SOCIAL PARTICIPATION AND SOCIAL STATUS SELF-

RATING.....W. A. Anderson

CRIMINOLOGICAL THEORIES OF VIOLATIONS OF WARTIME

REGULATIONS.....Marshall Clinard

FREE ENTERPRISE AND FULL EMPLOYMENT.....Henry Pratt Fairchild

TECHNOLOGICAL ACCELERATION AND THE ATOMIC BOMB.....Hornell Hart

THE SMALL WARSHIP.....George C. Homans

THE SOCIAL FACTORS OF THE WORK SITUATION.....Delbert Miller

THE SOCIAL RESPONSIBILITIES OF THE SOCIAL SCIENCES—

THE NATIONAL LEVEL.....Carl C. Taylor

SOME IMPLICATIONS FROM OUR PRESENT KNOWLEDGE

CONCERNING PREJUDICE.....James W. Woodard

Subscription \$4 a Year; Single Copies \$1

Conrad Taeuber, Managing Editor
U. S. Department of Agriculture
Washington 25, D. C.

BOOKS RECEIVED

- AGARWALA, A. N. *Social Insurance Planning in India*. Allahabad: East End Publishers. 1945. 218 pp. Rs. 5-12.
- AMERICAN ACADEMY FOR JEWISH RESEARCH. *Louis Ginzberg Jubilee Volume*. New York: Jewish Publication Society. 1945. 2 vols., 446 pp. each.
- BAILEY, JOSEPH CANNON. *Seaman A. Knapp*. New York: Columbia University Press. 1945. 307 pp. \$3.25.
- BAKER, JOHN R. *Science and the Planned State*. New York: Macmillan. 1945. 120 pp. \$1.75.
- BARKER, ERNEST. *Essays on Government*. New York: Oxford University Press. 1946. 269 pp. \$4.25.
- BINGER, CARL. *The Doctor's Job*. New York: W. W. Norton. 1945. 235 pp., index 8 pp. \$3.
- BROGAN, D. W. *The Free State*. New York: Alfred A. Knopf. 1945. 130 pp. \$2.
- BRYSON, GLADYS. *Man and Society: The Scottish Inquiry of the Eighteenth Century*. Princeton: Princeton University Press. 1945. 287 pp. \$3.
- CARR, EDWARD HALLETT. *Nationalism and After*. New York: Macmillan. 1945. 76 pp. \$1.25.
- CASE, ARTHUR E. *Four Essays on Gulliver's Travels*. Princeton: Princeton University Press. 1945. 133 pp. \$2.
- CHADWICK, H. MUNRO. *The Nationalities of Europe and the Growth of National Ideologies*. New York: Cambridge University Press. 1946. 209 pp. \$4.
- CRANSTON, RUTH. *The Story of Woodrow Wilson*. New York: Simon and Schuster. 1946. 478 pp. \$3.50.
- DEWAR, MARGARET. *Industrial Management in the U.S.S.R.* London: Royal Institute of International Affairs. 1946. 138 pp.
- DRAKE, ST. CLAIR, and CAYTON, HORACE R. *Black Metropolis*. New York: Harcourt, Brace. 1945. 809 pp. \$5.
- Eleventh Annual Report of the Archivist of the United States*. Washington: U. S. Government Printing Office. 1946. 86 pp.
- FINER, HERMAN. *The United Nations Economic and Social Council*. Boston: World Peace Foundation. 1946. 121 pp. 50 cents.
- FINK, ZERA S. *The Classical Republicans*. Evanston: Northwestern University Press. 1945. 225 pp. \$4.
- GURVITCH, GEORGES. *The Bill of Social Rights*. New York: International Universities Press. 1946. 152 pp. \$2.
- HAAS, WILLIAM S. *Iran*. New York: Columbia University Press. 1946. 273 pp. \$3.50.
- HOOKE, SIDNEY. *Education for Modern Man*. New York: Dial Press. 1946. 237 pp. \$2.75.
- HUTTON, GRAHAM. *Midwest at Noon*. Chicago: University of Chicago Press. 1946. 351 pp. \$3.75.
- KINGSBURY, LAURA M. *The Economics of Housing*. New York: Columbia University Press. 1946. 177 pp. \$2.50.
- LASSWELL, HAROLD D. *World Politics Faces Economics*. New York: McGraw-Hill. 1945. 106 pp. \$1.25.
- LEAGUE FOR INDUSTRIAL DEMOCRACY. *A Program for Labor and Progressives*. New York: LID. 1946. 48 pp. 25 cents.
- Location and Effects of Wartime Industrial Expansion in Canada 1939-1944*. Ottawa: Department of Reconstruction and Supply. 1945. 65 pp.
- MCCLOY, SHELBY T. *Government Assistance in Eighteenth-Century France*. Durham: Duke University Press. 1946. 496 pp. \$6.

- MARTIN, FREDERICK. *The Junker Menace*. New York: Richard R. Smith. 1945. 150 pp. \$2.
- MOORE, WILBERT E. *Industrial Relations and the Social Order*. New York: Macmillan. 1946. 555 pp. \$4.
- MOSSE, ROBERT. *La France devant la reconstruction économique*. New York: Brentano. 1945. 113 pp. \$1.
- NATHANSON, JEROME. *Science for Democracy*. New York: King's Crown Press. 1946. 170 pp. \$2.50.
- ODUM, HOWARD W., and JOCHER, KATHARINE. *In Search of the Regional Balance of America*. Chapel Hill: University of North Carolina Press. 1946. 162 pp. \$3.
- Palestine Year Book*. Washington: Zionist Organization of America. 1945. 531 pp. \$3.50.
- PRUITT, IDA. *A Daughter of Han*. New Haven: Yale University Press. 1945. 248 pp. \$2.75.
- SEWARD, GEORGENE H. *Sex and the Social Order*. New York: McGraw-Hill. 1946. 252 pp. \$3.50.
- SHANAHAN, WILLIAM O. *Prussian Military Reforms 1786-1813*. New York: Columbia University Press. 1945. 233 pp., appendix 35 pp. \$3.25.
- SIMMONS, LEO W. *The Role of the Aged in Primitive Society*. New Haven: Yale University Press. 1945. 317 pp. \$4.
- SOCIAL SCIENCE RESEARCH COUNCIL. *Theory and Practice in Historical Study: A Report of the Committee on Historiography*. New York: Social Science Research Council. 1946. 177 pp. \$1.75.

THE JOURNAL OF LAND & PUBLIC UTILITY ECONOMICS

A quarterly founded in 1925 by Richard T. Ely
and published by the University of Wisconsin

CONTENTS FOR MAY 1946

- LAND USE POLICY IN ENGLAND.....F. J. Osborn
- THE SUBSIDY AND HOUSING.....Charles Abrams
- MEXICAN WATER TREATY: PART TWO.....Martin G. Glaeser
- NON-AGRICULTURAL FACTORS IN LAND PRICES.....George H. Walter
- WHAT HAS HAPPENED TO DURHAM AND DELHI?.....Adon Poli

BOOK REVIEWS

Published in February, May, August, and November

Subscription—\$5.00 per year

Single copies—\$1.50

Sterling Hall University of Wisconsin Madison 6, Wis.

BOOKS RECEIVED

265

- STINEBOWER, LEROY D. *The Economic and Social Council*. New York: Commission to Study the Organization of Peace. 1946. 39 pp. 10 cents.
- TERBORGH, GEORGE. *The Bogey of Economic Maturity*. Chicago: Machinery and Allied Products Institute. 1945. xviii & 226 pp., appendix 30 pp. \$3.
- UNITED STATES STRATEGIC BOMBING SURVEY. *The Effects of Strategic Bombing on the German War Economy*. Washington: Overall Economic Effects Division. 1945. 286 pp.
- VANCE, RUPERT B. *All These People*. Chapel Hill: University of North Carolina Press. 1945. 503 pp. \$5.
- VISHNIAK, MARK. *An International Convention Against Antisemitism*. New York: Research Institute of the Jewish Labor Committee. 1946. 136 pp. \$2.50.
- WARNER, W. LLOYD, and SROLE, LEO. *The Social Systems of American Ethnic Groups*. New Haven: Yale University Press. 1945. 296 pp., appendix 22 pp. \$4.
- WERTHEIMER, MAX. *Productive Thinking*. New York: Harper. 1946. 224 pp. \$3.
- WHITE, LLEWELLYN, and LEIGH, ROBERT D. *Peoples Speaking to Peoples*. Chicago: University of Chicago Press. 1946. 122 pp. \$2.
- WILD, JOHN. *Plato's Theory of Man*. Cambridge: Harvard University Press. 1946. 320 pp. \$5.

AMERICAN ECONOMIC REVIEW

CONTENTS, MARCH 1946, VOLUME xxxvi

LAW AND ECONOMICS.....	I. L. Sharfman
NATIONAL BUDGETS AND NATIONAL POLICY.....	Jacob Mosak
PSYCHOLOGICAL ANALYSIS OF ECONOMIC DECISIONS AND EXPECTATIONS.....	George Katona
SHORTCOMINGS OF MARGINAL ANALYSIS FOR WAGE-EMPLOYMENT PROBLEMS.....	R. A. Lester
NOTE ON HICKS'S THEORY OF INVENTION.....	G. F. Bloom
THE SOVIET UNION'S WAR BUDGETS.....	T. A. Sumberg
FAMILY SIZE AND RESIDENTIAL CONSTRUCTION.....	Eric Schiff

Communications, Reviews, Periodicals, Notes

The *American Economic Review*, a quarterly, is the official publication of the American Economic Association and is sent to all members. The annual dues are \$5.00. Address editorial communications to Dr. Paul T. Homan, editor, *American Economic Review*, c/o Brookings Institution, 722 Jackson Place, N. W., Washington, D. C. (temporary address); for information concerning other publications and activities of the Association, communicate with the Secretary-Treasurer, Dr. James Washington Bell, American Economic Association, Northwestern University, Evanston, Ill. Send for information booklet.

THE GRADUATE FACULTY OF POLITICAL AND SOCIAL SCIENCE

CURRICULUM

1946-47

INTERDEPARTMENTAL SEMINARS

GENERAL SEMINAR: Current Problems of the Social Sciences—*Entire Faculty* (F, S)

JOINT SEMINAR: The Integration of the Social Sciences—*Bryn J. Hovde, Horace M. Kallen, Ernest Kris, Abba P. Lerner, Carl Mayer, Hans Simons* (F, S)

ECONOMICS

Eduard Heimann Alfred Kähler Abba P. Lerner Adolph Lowe
Julie Meyer Hans Neisser Hans Staudinger Frieda Wunderlich
Visiting Professors—*Charles Abrams; Emil J. Gumbel; Julius Hirsch;*
Richard Schüller; Julius Wyler Lecturer—*Franco Modigliani*

GENERAL ECONOMICS

Principles of Economics	(F, S)	Structure of the American Economy	(S)
History of Economic Doctrines	(F)	Economic Geography in the Post-war World	(F)
Introduction to World Economics	(F)	Economic Geography and Population Problems	(S)
Introduction to Present-Day Economics	(F)	Government Control of Business— <i>seminar</i>	(S)
Welfare Economics	(S)	The Economics of Distribution	(F)
Theory of Economic Change: Microdynamics	(F, S)	The Economics of Manufacturing Industries	(S)
Introductory Seminar: Current Economic Problems	(S)	International Trade	(F)
Money, Credit and Banking	(F)	Postwar Trade Policy	(S)
International Finance	(S)	Problems in the Theory of Employment— <i>seminar</i>	(F)
Principles of Public Finance	(S)	Full Employment	(F)
Mathematical Economics	(F, S)	Theory of Capital— <i>seminar</i>	(S)
Economic Policy: Present and Future	(F, S)	Theories of Economic Fluctuations— <i>seminar</i>	(F)
Comparative Economic Systems	(S)	Marxism: System and Critique	(S)
Nature and History of Capitalism	(F)	Current Economic Problems	(S)
Ethics and Political Economy	(S)	The Future of American Housing	(F)

LABOR

History of the Labor Movement and of Socialism	(F)	General Statistics	(F, S)
Labor Problems	(F, S)	Population Statistics	(F)
Industrial Relations— <i>seminar</i>	(F)	Introduction to Economic Research	(F)
Social Security— <i>seminar</i>	(S)	Introduction to Econometrics— <i>seminar</i>	(S)
Introduction to Labor Economics and Labor Sociology	(F)	The Basic Economic Magnitudes: Introduction to Descriptive Economics	(S)
Current Labor Events	(F, S)		
Sociology of Labor	(F)		

STATISTICS

Fall courses are indicated by F, Spring courses by S

SOCIOLOGY

Carl Mayer

Julie Meyer

Albert Salomon

Visiting Professors—*Grégory Bateson; Ernst Kris; Alfred Schütz*

Lecturer—*Ephraim Fischhoff*

Tutor—*Sidney Axelrad*

GENERAL SOCIOLOGY

- Introduction to Sociology (F)
 Fundamentals of Sociological Theory (F)
 Basic Problems in Sociology (S)
 Social Theory and Psychoanalysis—seminar (S)
 Social Stratification (F)
 Theory of Social Action—seminar (F)
 Max Weber (S)
 Georg Simmel (F)
 Honoré de Balzac as Sociologist (S)
 Field Work in Sociology—seminar (F)
 Methods of Sociology and Sociological Research (S)
 Anthropological Theory (F, S)
 The Techniques of Anthropological Analysis—seminar (F, S)

SPECIAL SOCIOLOGY

- Sociology of Knowledge—seminar (S)
 Everyday Life in the Light of Sociological Theory—seminar (F)
 Urban Sociology (S)
 Changing Trends in the Family (S)
 Sociological Background of Medicine (F)
 Sociology of Modern Anti-Semitism—seminar (S)
 Criminology (F)
 Breakdown of Civilization—seminar (F)
 Christian Humanism in the Rise of the Modern World—seminar (F)
 Epicureanism (S)
 National Character—seminar (S)
 The American Nation as Seen by Foreigners: Tocqueville (S)

POLITICAL SCIENCE AND JURISPRUDENCE

Max Ascoli

Arnold Brecht

Fernando de los Rios

Erich Hula

Alexander H. Pekelis

Hans Simons

Leo Strauss

Visiting Professor—*Boris Mirking-Guetzévitch* Tutor—*Howard B. White*

POLITICAL THEORY, HISTORY

- The General Theory of Government—seminar (S)
 Theory of the State (F)
 Political Conceptions of the State in the Last Century (F)
 Influence of Geographical, Economic and Ideological Factors on the Structure of the State—seminar (S)
 History of Political Philosophy (F)
 Readings in Political Philosophy—seminar (F, S)
 Machiavelli—seminar (F)
 Vico—seminar (S)
 Sixteenth Century Philosophy in Current Thought (S)
 The Present Crisis of Political Theory—seminar (S)
 The World's Constitutional History (S)
 Democracy: Principles and Institutions (F)

POLITICAL THEORY, HISTORY

- Public Administration (F)
 Nationality in Modern Politics—seminar (F)
 The Origins of the Present World Crisis—seminar (F)
 Human Nature and Human Institutions (F, S)
 EUROPE AND IBERO-AMERICA
 Politics in Europe (S)
 Parliamentary Government during and after World War II (S)
 The British Empire: Its Past, Present and Future (S)
 The Soviet Union: Government and Politics (S)
 Germany (F)
 The New French Constitution (F)
 Some Social Problems in Ibero-American Countries (F)
 Political Problems of Ibero-America (S)

Fall courses are indicated by F, Spring courses by S

POLITICAL SCIENCE AND JURISPRUDENCE (continued)

UNITED STATES

The Declaration of Independence	(S)
Race and Religion in American Law	(F)
Politics and Law in Today's America	(S)
Politico-Economic Problems	(S)
Government in Business and Planning— <i>seminar</i>	(F)
Monopolies and Public Utilities— <i>seminar</i>	(F)

INTERNATIONAL RELATIONS

International Politics: Development of Power Relations	(F)
International Politics: Growth of World Order	(S)
Principles and Forms of International Organization	(F)
Problems of International Organization—seminar	(S)

PHILOSOPHY AND PSYCHOLOGY

Solomon E. Asch

Mary Henle

Horace M. Kallen

Felix Kaufmann

Kurt Riezler

Leo Strauss

Visiting Professors—*Alain Locke; Paul Schrecker; Arthur L. Swift*

Lecturers—*Rudolf Arnheim; Sydney C. Rome*

PHILOSOPHY, LOGIC, ETHICS

Introduction to Philosophy	(F)
Theory of Value— <i>seminar</i>	(S)
Science and Philosophy	(S)
The Philosophical Foundations of Psychological Atomism	(S)
The Great Philosophers and their Problems	(S)
Readings in Philosophy	(S)
Socrates and the History of Philosophy	(F)
Plato's "Philebus"— <i>seminar</i>	(F)
Selected Writings of Thomas Jefferson and William James— <i>seminar</i>	(F)
Kant and the Neo-Kantians— <i>seminar</i>	(S)
The Enlightenment in England	(F)
Ethics	(S)
Ethical Doctrines in Seventeenth Century Philosophy	(F)

PSYCHOLOGY

Learning	(F)
Perception	(S)
The Psychology of Attitudes	(S)
How We Think: An Analysis of Everyday Philosophical Beliefs	(F)
Psychology of Art	(S)
Social Psychology	(F)
The Social Psychology of Leader- ship	(F, S)
Experimental Psychology	(F, S)
Research in Psychology— <i>seminar</i>	(S)
Statistics for Psychologists	(F)

PHILOSOPHY OF HISTORY,
CULTURE

Hegel's Philosophy of History	(S)
Philosophical Problems in Sociology	(F)
Ideals of Western Civilization	(F, S)
Social Philosophy: Minority Group Relations	(S)
Philosophy of Freedom— <i>seminar</i>	(S)
The Philosophy of Art	(F)
Philosophy of the Arts	(S)
The Crisis in Educational Philosophy	(S)
Ethics in Business Life	(S)

PSYCHOLOGY

Basic Problems in Psychology	(F, S)
Psychology—seminar	(F)
Motivation	(F)

Fall courses are indicated by F, Spring courses by S

The curriculum offered by the Graduate Faculty of Political and Social Science leads to the degrees of Master and Doctor of Social Science, under an absolute charter granted by the Board of Regents of the State of New York. To exceptionally qualified students a limited number of tuition scholarships is available.

Catalogue sent on request

66 WEST TWELFTH STREET

NEW YORK 11, N. Y.